Daily Report

East Europe

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Berisha, Iliescu Hold Official Talks in Tirana

AU2703143295 Bucharest Radio Romania Network in Romanian 1000 GMT 27 Mar 95

[FBIS Translated Text] Official talks between Albanian President Sali Berisha and Romanian President Ion Iliescu, have been held this morning in Tirana.

Our special correspondent in the Albanian capital, Sorin Croitorescu, informs us that a five-year commercial accord between the two countries was signed this morning, as well as a protocol on cooperation in education signed by Ministers Liviu Maior and Xhezair Teliti. Similarly, the exchange of instruments of ratification of the basic political treaty between the two countries took place today, attended by Foreign Ministers Teodor Melescanu and Alfred Serrequi.

President Ion Iliescu's agenda for today also includes meetings with Pieter Arbnori, president of the People's Assembly, the Albanian parliament; Prime Minister Aleksander Meksi; leaders of parliamentary parties in Albania; representatives of the Albania-Romania Friendship Association; and representatives of the Cultural Association of Aromanians in Albania. Our special correspondent also informs us that Iliescu will attend an official dinner tonight given by President Berisha.

Berisha Expresses Concern About Yugoslavia

AU2703154595 Bucharest Radio Romania Network in Romanian 1300 GMT 27 Mar 95

[Report by Sorin Croitorescu in Tirana]

[FBIS Translated Excerpt] Following the official talks held this morning at the presidential palace in Tirana between the presidents of Romania and Albania, Ion Iliescu and Sali Berisha, the exchange of instruments of ratification of the basic political treaty took place between the two countries. [passage omitted]

In statements to the press, the two presidents expressed their satisfaction over the results of the current visit, the first paid to Albania by a Romanian head of state, and pointed out that they agreed to encourage multilateral cooperation in this region, in which context they emphasized the importance of the conference of the heads of state and government of the countries in the Black Sea region, which is to take place in Bucharest in June. They also stressed the idea of reactivating Balkan initiatives by meetings at the level of foreign ministers.

Referring to the situation in the former Yugoslavia, President Berisha expressed his concern over certain recent developments, as well as the position taken by certain countries of the Contact Group that the settlement of the crisis can be achieved merely by the (?mutual) recognition of the republics formerly belonging to Yugoslavia. Albania assesses this as a positive step but considers that, in this context, the solving of the Kosovo problem cannot be ignored.

This position of Albania, which does not request the altering of borders but solely the observance of the rights of Albanians wherever they live, was termed realistic by President Iliescu as realistic, President Berisha added.

For his part, President Iliescu said his current visit contributes to the establishment of a favorable climate for the furthering of bilateral ties, and emphasized the mutual interest for joint efforts to expand regional integration at the European level. One of the first things to do is to develop infrastructures and their integration within the European infrastructure.

Mr. Iliescu also pointed out the role of the community of ethnic Albanians living in Romania, as well as that of the Aromanians and Romanians living in Albania, acting as a connecting bridge between the two nations. He reaffirmed Romania's support and appreciation for regional and international efforts to settle the conflict in former the Yugoslavia politically. [passage omitted]

[Bucharest ROMPRES in English at 1059 GMT on 27 March carries the following additional information: "Right on arrival at Tirana airport, on Sunday [26 March] morning, Romania's president stated he was moved to visit Albania again after 48 years and he believed he and the president of the host country would have substantive talks with convenient results in a near future. The optimism was imparted to a first meeting with journalists at the airport also by President Berisha, who invited the guest to return right where he participated as a volunteer in the years after the war in brigades who built the first railway in Albania, linking the capital to the sea shore. Speaking about the Aromanians in Albania, President Berisha said they set a model of respect for their own origin and for the country where they live alike. He added they were also a model of Albanian tolerance in religion, in coexistence relations with other communities. After 1990, they have been allowed to cultivate the ties with Romania as they wish. Presidents Ion Iliescu and Sali Berisha, assisted by their delegations, met again on Monday morning for official talks, focussed on the stage of bilateral relations. The bilateral economic exchanges have been influenced by the difficulties of the period of transition, their volume being far below possibilities, but it is considered that the current legal framework covers numerous domains of the bilateral relations as a whole. The parties recalled during the meeting the agreements on culture, building, agriculture, health, technology, science, and such specific documents as the agreement on mutual guaranteeing of investments and avoidance of double taxation. Stress was laid on the importance of furthering the political contacts at various levels and on the importance of updating collaboration agreements, of boosting the economic relations."]

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Easier Oil Delivery Terms Sought From Russia

AU2703133495 Sofia TRUD (IKONOMIKA supplement) in Bulgarian 20 Mar 95 p V

[Interview with Deputy Trade Minister Ivan Kolev by Diana Yanakieva; place and date not given: "We Expect Oil From Moscow at a Lower Price, but for Dollars"]

[FBIS Translated Excerpt] [Yanakieva] Mr. Kolev, why was your visit to Moscow necessary?

[Kolev] The visit was the continuation of meetings I had there last October. This time we dealt with the technical details of how the agreements we signed last year are to be implemented. We also reached agreement on the accords we were not able to complete last year. We completed some 90-95 percent of the work.

[Yanakieva] Certain changes in the agreements were expected after the postponement of Viktor Chernomyrdin's visit. Is there a change in the agreement on gas?

[Kolev] No. The gas agreement was signed on 16 October 1994 and approved by the Bulgarian and Russian Governments. We discussed elements that do not change but rather develop separate parts of the agreement. The quantity of gas we will receive under the agreement has not been changed. We discussed the judicial basis for registering the association, because it appears that its constituent capital will be rather substantial. There is also no change in the ratio of the Bulgarian and Russian participation. We only insisted on a certain preference in setting the price of the gas supplies we will receive.

[Yanakieva] What have you decided regarding the oil agreement?

[Kolev] We decided to accelerate its implementation. Usually people pay more attention to the quantity—up to 5 million metric tons of oil per year—than to the establishment of mixed companies similar to the gas company. Those companies actually control cooperation along the entire chain—from extracting the oil, to its transportation, processing, and marketing.

[Yanakieva] What will be the form of payment? Are any easy conditions envisaged?

[Kolev] We will act according to the principles of the market economy. Since we allow the Russians to use our existing installations, or installations that are under construction on our territory, we will try to get a preference in anything related to price. However, it must be clear that we must pay in dollars.

[Yanakieva] There have been reports according to which Russia has liberalized the price of its oil. Would this somehow affect our agreements?

[Kolev] In our trade with Russia since 1991 the price has always been quoted in dollars. Even in the sphere of clearing agreements, everything has been done according to international standards. The fact that in the past we used to actually pay with goods rather than cash does not change anything. The price itself was always fixed in dollars. Now we are negotiating on possibilities of paying for the deliveries during the first few years with goods and services.

[Yanakieva] What do you think about the ratio of state-private participation in the mixed Bulgarian-Russian companies?

[Kolev] Only "Gazprom" is participating on Russia's side. We have not yet determined the participants on the Bulgarian side, but they will be state organizations. I do not think this should be the subject of an administrative decision. The government must set clear financial and professional criteria for participation in the mixed companies, in order to establish an objective attitude to the matter. [passage omitted]

[Yanakieva] There has been a lot of talk regarding the $100 million Russia admits it owes us. Will this figure be changed?

[Kolev] We agreed last year on the volume of the debt. The size of the balance was determined, what it includes and the mode of payment. Now we have finally agreed on the text. All that is left is to agree on separate figures within the general package regarding transferable rubles and various debts, but there will be no change in the total figure itself. [passage omitted]

[Yanakieva] Could you explain the mechanism for paying the debt?

[Kolev] One should not speculate about how the $100 will be distributed. I think there is no need to talk about who will receive what and how much. We will work out an internal mechanism with the Ministry of Finance.

Cabinet Approves 1995 Privatization Program

AU2703174495 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 27 Mar 95

[Report by Kalina Stancheva on Council of Ministers meeting held in Sofia on 27 March—live]

[FBIS Translated Excerpt] At its meeting today the government approved the 1995 privatization program for submission to the National Assembly. The cabinet expects to receive revenues of about 20 billion leva from the sales. The Privatization Agency has committed itself to begin privatization procedures for 480 units, which together with the procedures already started amounts to a total of 1,300 deals, about 600 of which are expected to be completed before year's end. The Privatization Agency prefers a mixed form of payment: partly cash, in leva or foreign currency; partly paid in the form of foreign or domestic debt bonds.

The program for mass privatization that the cabinet approved in principle today will be appended to the market privatization document so that the National Assembly deputies can keep the connections between the two documents in mind during the bill's passage through parliament. [passage omitted]

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Meciar on Romanian, Hungarian Reaction to Treaty

LD2703142795 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1000 GMT 27 Mar 95

[Interview with Slovak Prime Minister Vladimir Meciar by Ludmila Bulakova; place and date not given—live or recorded]

[FBIS Translated Excerpt] [Bulakova] In Paris you held talks with the Hungarian prime minister. It is said that Romania feels cheated by Slovakia because we signed a treaty with Hungary that includes Council of Europe Recommendation No. 1201.

[Meciar] This formulation is too strong. We kept in touch with the Romanian Government all the time. If our talks with the Hungarian side ended on Thursday night, on Friday morning I held talks with Romanian Government officials. The Hungarian Government was aware of this. There were two points on which our understanding of the treaty differed.

The first point concerned the issue of the borders. On this issue the Slovak Republic insisted on a strict formulation of the borders, not allowing for any changes. The Romanian side is more relaxed as regards this issue and adopted a different formulation, which, in the sense of the Helsinki Final Act, allows for an option of a peaceful change to the borders. This was ruled out by the Slovak side. [passage omitted]

Because our public is faced with different interpretations, I would like to say that document No. 1201 includes one article that says that, in accordance with the laws of the country in question, it is possible to create an autonomy; the condition is that it is in accordance with the laws of the country. This is stipulated by document No. 1201. This is followed by a safeguard clause that says that this can be interpreted exclusively on the basis of individual human and civic rights and the rights of persons belonging to national minorities. This means that an autonomy is thus ruled out and that we will respect only the other parts, excluding both Nos. 11 and 9. The Government of the Slovak Republic adopted a diplomatic note in this sense.

There are more such safeguarding clauses in the treaty, but I do not want to speak about all the details now. If I had considered this treaty to be damaging to Slovakia, we would never have taken that step. Moreover, we took one more precaution by issuing the diplomatic note and delivering it to the Hungarian Government before the signing of the treaty. Thus, they were aware of the way the Slovak side intended to interpret the treaty, of the interpretation we accepted. [passage omitted]

I understand that there will be problems with the ratification of the treaty in the Hungarian Republic because of its current social situation, which will become more complicated each month. There is social unrest as well as an opportunity for the opposition to express its dissatisfaction with the treaty. Moreover, nationalist and irredentist politicians speaking on behalf of the minorities in neighboring countries see their boat departing without them, and this is why they desperately cry for help from the bank.

Ministers Confirm Request for Delay on Mochovce

AU2803072995 Bratislava NARODNA OBRODA in Slovak 24 Mar 95 pp 1-2

[TASR report: "Meciar's Government Has Asked the European Bank for Reconstruction and Development To Delay Mochovce Loan; Kozlik: Analysis of Mochovce Financing Project Continues"]

[FBIS Translated Text] Munich/Bratislava—Deputy Prime Minister and Finance Minister Sergej Kozlik and Economics Minister Jan Ducky have addressed a letter to the board of directors of the European Bank for Reconstruction and Development [EBRD], in which they request that the negotiations on providing a loan to the Slovak Republic for completing the Mochovce nuclear power station be delayed. This was announced by Prime Minister Meciar during his visit to Munich. He stressed that the request was a consequence of the negative stand on the project taken by the European Parliament in Strasbourg last week.

With regard to the request that the EBRD delay negotiations on the provision of the Mochovce loan, Sergej Kozlik, the deputy prime minister and finance minister, said yesterday that the Economics and Finance Ministries have not yet completed their analysis of the project to finance Mochovce.

He pointed out that this strategically very important project was subject to long-term consultations concerning, among other issues, an assessment of the most appropriate system of covering the project's costs, the structure of proprietary relations, organizational matters, and guarantees for future electricity exports from Slovakia. "At the same time, questions related to the safety of this power station are beyond any doubt," he stressed.

The deputy prime minister reconfirmed that Slovakia was heralding *ex ante* [Latin term used] its decision to delay a solution to the financing of the power station. He stressed that it was in the Slovak Government's interest to complete Mochovce.

Asked by TASR whether cooperation with Russian or Czech partners was being considered within the framework of assessment of the terms of the project, Kozlik replied that "several options for cooperation are under consideration."

"We have repeatedly notified not only the EBRD but also Slovenske Elektrarne [Slovak Power Company] and Electricite de France about certain outstanding issues

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concerning the project for financing the Mochovce nuclear power station," the Slovak finance minister said when asked by TASR whether this request for a delay had been consulted with them.

[Bratislava SME in Slovak on 24 March on page 2 carries a 500-word report, signed "is, si," on the Slovak request for a postponement of the EBRD decision. The report quotes Mikulas Dzurinda, deputy chairman of the Christian Democratic Movement for economic affairs and former minister, as saying that, "apart from the political reasons," the only other possible explanation for the Slovak request is that the repayment of the EBRD loan would have required an increase in the price of electricity.]

Slight Dip in Unemployment Rate in Feb

AU2503205795 Bratislava SME in Slovak 20 Mar 95 p 3

[TASR report: "Roznava, Trebisov, Rimavska Sobota, and Svidnik Have the Highest Rates of Unemployment"]

[FBIS Translated Text] Bratislava—Labor offices in the Slovak Republic registered 384,887 job seekers at the end of February, which is a decrease of 2,199 persons (0.57 percent), compared with January. According to an analysis by the Employment Services Administration (SSZ), the decline of unemployment results from a lower number of newly registered job seekers and an increase in the number of job seekers who have been removed from the labor offices' records. The rate of unemployment reached 15.12 percent in February and was 0.08 percentage points lower than in January.

The registered unemployed in the Slovak Republic included 182,644 women, who thus represented 47.5 percent of all job seekers. The unemployed also included 23,934 disabled citizens.

Regional differences in the rate of unemployment continue to deepen in Slovakia, according to the SSZ analysis. At the end of February, 11 districts of the Slovak Republic had rates of unemployment above 20 percent and 14 districts above 15 percent. Only three districts had unemployment of under 10 percent. Unemployment declined in almost all districts of Slovakia in February, most distinctly in the districts of Nove Zamky, Senica, Trnava, Povazska Bystrica, Zilina, and Zvolen. Svidnik, Trebisov, Roznava, and Rimavska Sobota were the districts with the highest rates of unemployment in Slovakia—from 23.19 to 28.76 percent. Bratislava, Trencin, and Bratislava-Environs were the districts with the lowest rates of unemployment—from 5.11 to 8.70 percent.

Employers reported to labor offices 13,700 vacancies, 493 more than in January. Almost 51 percent of the vacancies were for skilled workers and 18 percent for services and retailing staff. There were 23 job seekers for each reported vacancy.

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Kovacs: Agreement With Slovakia 'Best Compromise'

AU2703171795 Vienna KURIER in German 27 Mar 95 p 4

[Interview with Hungarian Foreign Minister Laszlo Kovacs by Georg Berenyi; place and date not given: "The Best Compromise"]

[FBIS Translated Text] The basic treaty between Hungary and Slovakia, which was welcomed worldwide, is again being questioned because of different interpretations. In an interview with KURIER, Hungarian foreign minister Laszlo Kovacs commented on the:

Value of the Agreement

"The agreement is the best compromise that could be achieved under the given circumstances with the given partner. Respect for the rights of minorities have turned from a political into a legal obligation on the part of the state involved. The preconditions for the elimination of mistrust and thus for higher stability in the region have been created."

Quarrel Over Interpretation

"I consider the way in which my Slovak counterpart handed me a file, a diplomatic note, in Paris—unfortunately 20 seconds prior to the solemn signing ceremony—the content of which I was able to read only when we finally clinked glasses. In the note, the Slovak government denied having accepted Council of Europe Recommendation 1201, which is part of the agreement and provides for the right of minorities to form autonomous administrations. The recommendation clearly supports that. In addition, the Slovak Government wants to understand the minority rights granted in the treaty as individual only, not as collective rights."

Hungary's Position

"We will explain our position in a note of reply. We will also propose implementing the agreement, rather than quarrel over its interpretation. A compromise is out of the question in this respect."

Chances of Implementing the Agreement

"The process will last several years. There will probably continue to be dissatisfaction on both sides, as the sharp criticism has already shown. The implementation will be subject to bilateral and international control (Council of Europe, OSCE). If one of the partners should fail to adhere to the treaty, he would probably risk exclusion from European integration."

Constitutional Court Official Interviewed

95CH0127A Budapest UJ DEMOKRATA in Hungarian 5 Jan 95 pp 8-9

[Interview with Dr. Andras Hollo, secretary general of the Constitutional Court, by Karoly Banhidai; place and date not given: "An Invisible Constitution?"]

[FBIS Translated Text] *We interviewed Dr. Andras Hollo, secretary general of the Constitutional Court, about the court's work and the relationship between legislation and politics. Replying to one of our questions, he said: "Views differ on the need to frame a new constitution. The chief justice of the Constitutional Court believes that the present Constitution provides a suitable rule-of-law framework for the political system, and therefore there is no pressure to frame a new constitution. This was his personal opinion as a constitutional expert, and not an official pronouncement of the court on this issue. The court's standpoint in this matter is that any justice of the court, or even its secretary general, in the given case, may participate in framing a new constitution and may express his views."*

[Banhidai] Although our new-old Constitution that came into being during the change of political systems is working, it is a patchwork document nevertheless. Knowing this, how is the Constitutional Court able to meet its requirements?

[Hollo] I am convinced that the Constitutional Court is functioning suitably under our present Constitution. After all, Law No. 31 of 1989 on amending the Constitution contains all the criteria essential to a constitutional system of government in a rule-of-law state. Another way of putting this is to say that during the National Roundtable Talks with the opposition parties, building a Constitutional Court into the political system only if there was a Constitution good enough to be worth defending was discussed. In the end it was decided to establish the Constitutional Court, because the amended Constitution was of suitable quality. Law No. 31 of 1989 on amending the Constitution represented an improvement by an order of magnitude. This constitution is different, even if we know that formally it is only an amended version of the 1949 constitution.

[Banhidai] In the opinion of some people, the Constitutional Court's decisions have been formal, rather than substantive.

[Hollo] That view is absolutely erroneous. The Constitutional Court has also rendered decisions of very firm and definite substance—on the freedom of expression, for instance; or, most recently, in conjunction with the new agency law. The Constitutional Court strives to define the meaning of the Constitution's general principles. There is also debate on the existence of a visible and an invisible Constitution, and on the extent to which the Constitutional Court may set rules or shift into rewriting the Constitution when it interprets something. In other words, the big question of principle is about where the limit of the court's substantive decisions lies.

[Banhidai] In the final outcome, the powers that be determine where that limit is. In the case of the agency law, for example, they may determine the dividing line between the public interest and the personal sphere.

[Hollo] The powers that be set the limits, but that does not rule out sharp political debate. For such debate the

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Constitutional Court provides a framework that cannot be bypassed. If, for example, politicians were excluded from the scope of the agency law and it were to apply merely to the narrow circle of officials who wield executive power, that would be entirely at variance with the principles we formulated in the decision. Obviously, the parliamentary minority would turn to the Constitutional Court, and I would not have to be much of a prophet to predict correctly that the court would consider the minority's motion [to institute proceedings] consistently, in the spirit of its own earlier decision. In the given case, the court would declare the law's provisions unconstitutional.

[Banhidai] The court already considered the question of incompatibility once before. The public could interpret this to mean that the court has reversed itself with its new decision. After the court's decision, the parliament nevertheless legislated that a seat in the National Assembly and the office of mayor were not incompatible.

[Hollo] At first glance—and to many people even at a second glance—it seems that the Constitutional Court has contradicted itself on the Incompatibility Law. I am able to say—not merely out of solidarity but also from the professional standpoint—that the Constitutional Court may interpret whenever the Constitution formulates something in the abstract. Or, if the need for legislation arises because some constitutional principle is too abstract, the Constitutional Court may refer it to the Parliament for more detailed and more specific regulation of the given subject.

At the time, in 1990, a Free Democrat MP [Demszky] was elected metropolitan mayor of Budapest and would have liked to also retain also his seat in the National Assembly, but that was not possible under the laws then in force. When he turned to the Constitutional Court, it ruled that the separation of the two functions was constitutional. The parliament of back then then decided that a seat in the National Assembly and the office of mayor could not be held simultaneously. The Constitutional Court found that legislative solution to be constitutional. Now the same issue has been put to the Constitutional Court, but turned the other way around, namely: The new Parliament passed a new law declaring that a seat in the National Assembly was compatible with holding the office of mayor. Before promulgation, the law was referred to the Constitutional Court as potentially unconstitutional. The court explained that this law, too, was constitutional.

In such cases the average citizen is obviously perplexed—once he is told this, and then told the exact opposite. The majority opinion among constitutional lawyers is that the elected mayor is not an official of the executive branch of government. The Constitution's magic delegation of authority states that additional cases of incompatibility, over and above the ones enumerated in the Constitution, may be established by statute. Since the elected mayor, according to the majority opinion, is not an official of the executive branch, the parliament may exercise its delegated authority to establish a new case of incompatibility by statute, or to rescind, on the basis of the same delegation of authority, an already-existing case of incompatibility. In other words, the Constitution's so-called delegation of authority was found to cover also this legislative act of the opposite sign. It is common knowledge that the justice who wrote the majority opinion said that, deep in his heart, he would have voted in favor of declaring that the same person could not hold a seat in the National Assembly and the office of mayor simultaneously. However, he was unable to find support in the Constitution for doing so, because both standpoints can be inferred from the Constitution.

Given the kind of Constitution we have, the Constitutional Court's decision matches it. Theoretically, I too could support the view that a seat in the National Assembly and the office of mayor should not be held simultaneously.

[Banhidai] In comparison with the constitutional courts in foreign countries, our court appears to be much more in the limelight, and is calling attention to itself with decisions that carry greater political weight. We might say that its decisions are shaping politics.

[Hollo] That is true. During the past four years, in fact, the court haded down decisions that had significant political effect. The effect has to be emphasized, because in every case the court provided a constitutional answer to a political question. Under the given political arrangement—on the basis of a pact that the largest opposition party would field the president of the Republic, while the amended Constitution strengthened the constitutional powers of the prime minister and his cabinet—the constitutional controversy between president and prime minister was obvious to everyone. The Constitutional Court attempted to provide a constitutional answer to this controversy, declaring that, in its opinion, the powers of the president had to be neutral, and that he was not a member of the executive branch of government and did not represent it. That was a very firm constitutional decision, and had an exceptionally strong political effect, based on the Constitution and constitutional law. Its political impact, of course, is indisputable.

[Banhidai] In this case the question might arise whether the powers that be might not be hiding behind the Constitutional Court.

[Hollo] The question is warranted because, in the given case, politics might indeed be concealed behind the motion to institute proceedings before the Constitutional Court. Incidentally, that can be a very dangerous game, for the Constitutional Court will always render constitutional answers to political questions that are disguised as constitutional questions. But if the answer to the given motion happens to be negative, and if the answers to a subsequent series of motions are likewise negative, then obviously the mover's political credibility

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will diminish. Anyone attempting to play politics with the Constitutional Court has to be treated with caution. Of course, such a mover might also be a winner—not because he is an astute political player (although the possibility that he might be one cannot be ruled out) but because he intervened in constitutional matters in which the majority, the parliamentary majority, had been in error. By which I mean that the parliament had enacted a law that was unconstitutional. In such cases the minority members of parliament and the political organizations behind them are able to file a motion to institute proceedings before the Constitutional Court, and the court might prove them right. It is essential that in a law-govened state the majority principle not be absolute. It cannot apply exclusively—and that is the main point in this matter—because the decision has to be constitutional as well. The point, with some simplification, is that the Constitution enables the Constitutional Court to declare a law null and void—which means that the rule-of-law label, rather than the majority's decision, is what makes a law constitutional.

[Banhidai] Earlier, the Constitutional Court arrived at its decisions without a dissenting vote, but most recently the vote was 5 to 4. There are also rumors of a certain split within the court since the May elections.

[Hollo] Decisions by majority vote are quite common, but it is also true that the court, typically, had arrived at its decisions without a dissenting vote. There clearly seems to be a certain split, because the court—in a special situation, shortly after the May elections—rendered its familiar decision on incompatibility. Here the pattern you mentioned could apply. But this is perhaps the third time, rather than the first time, the court has voted five to four.

In this case, as constitutional or public-administration lawyers, most of the justices forming the slim majority took a very definite professional view. They persistently maintained the standpoint that the mayor cannot be regarded as an official of state administration. Before the general public, the professional debate at the highest level gained a certain political overtone. But I do not wish to circumvent your question. Yes, we may admit and say that, among the justices of the Constitutional Court, some are more receptive to social-liberal values, while others favor conservative values. But that can be said of any constitutional court in the world, not just Hungary's. Value systems can indeed motivate constitutional-court decisions.

[Banhidai] The court's expansion can be expected. Many people are of the opinion that the principle "the fewer, the better" applies in this case, too. It would make for a more prestigious Constitutional Court.

[Hollo] I fully agree. It would really be best if the Constitutional Court could remain a nine-member tribunal. That is what we have long fought for. But it is obvious that political motives can be perceived here, also—namely: the government's intention to tinker with the court's size. In the final outcome, from this point of view the fact that the government has not insisted on expanding the court to 15 justices might be regarded as commendable self-restraint. It is no accident that the National Roundtable Talks arrived at a figure of 15 justices, so that three National Assemblies could elect the full court. But nobody foresaw that the changes in the power structure would be so radical and so rapid. It was already evident in 1992 and 1993 that the opposition parties' political demand for the election of "3 times 5" justices had been unwarranted.

[Banhidai] To an outsider it might seem that those in power, secure in their awareness of their parliamentary majority, are heading toward a kind of authoritative political rule that disregards the law.

[Hollo] It would be very unfortunate if that were the case. Politically it would be an unfortunate situation in any event if the powers that be were to approach this question in full awareness that their secure parliamentary majority enables them to amend also the Constitution—although that is the arrangement that has evolved formally in Hungary. At the level of principles, however, a consensus is beginning to emerge that we should be proceeding toward honest democracy. That is not what is happening in every case. But it is not for me to judge. I will leave that to the political analysts.

Power Relations in Local Governments Viewed

95CH0127B Budapest UJ DEMOKRATA in Hungarian 5 Jan 95 pp 34-35

[Interview with Miklos Csapody, member of parliament and MDF local-election campaign chief, by Daniel Bodnar; place and date not given: "Strange Couples"]

[FBIS Translated Text] *Although the local elections did not produce any landslides, in many places the candidates of the center-right parties that make up the Civic Alliance (namely, the MDF [Hungarian Democratic Forum], KDNP [Christian Democratic People's Party] and FIDESZ [Federation of Young Democrats]) were victorious. The relative strength of the political parties developed very evenly in the new county and municipal councils, and seemingly astonishing coalitions have been formed in several places. For instance, a grand coalition of the Civic Alliance, MSZP [Hungarian Socialist Party] and SZDSZ [Alliance of Free Democrats] has been formed in the 11th District of Budapest, while in the Nograd County Council the FIDESZ-SZDSZ-MDF-FKGP[Independent Smallholders Party]-KDNP team ousted the MSZP from power. In Miskolc, the KDNP, MSZP, MDF and FIDESZ concluded a cooperation agreement. We interviewed Miklos Csapody, the MDF's campaign chief in the local elections, and Ildiko Lendvai, member of parliament and chairwoman of the MSZP's Budapest Committee, regarding the reasons behind these strange "marriages."*

[Bodnar] What were the basic motives behind the formation of the very strange coalitions in a number of local governments?

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[Csapody] The human and political aspects of the individual parties' candidates at the local level were a fundamental consideration in those places where extreme coalitions have been formed. If a candidate had a political record, that in itself might have been a sufficient basis to begin talks. The candidate's professional background, his personal traits, and the degree of his acceptance by the local community were likewise important considerations. In such cases his party affiliation became a matter of secondary importance. It is common knowledge that voting for the candidate's person, on the basis of familiarity, is prevalent, particularly in small municipalities. Therefore, in forming coalitions, the assertion of local considerations was the primary motive. Suitable persons and organizations were chosen accordingly.

[Bodnar] To what extent had MDF headquarters given the local party organizations a free hand in forming coalitions?

[Csapody] MDF headquarters did not issue directives for the local organizations. If there were recommendations, they merely stated that we were stressing the need for cooperation. Therefore our local organizations have been able to develop cooperation not only with parties professing principles that conform to our system of values but also with civic organizations formed under the influence of various local, citizens' initiatives. The MDF has been able to form 70 systems of alliances. In addition to the establishment of the entirely above-board and long-term MDF-FIDESZ-KDNP alliance, further proof of our flexibility is our participation in 35 so-called strange coalitions—such as in Pecs, where the KDNP is absent, but the SZDSZ and the FKGP are included, which makes for a very interesting arrangement; or in the 11th District of Budapest, where a grand coalition has been formed. We merely requested our candidates not to endorse promises that cannot be fulfilled, to regard personal ambitions as a matter of secondary importance, and to hold talks primarily in the alliance's interest. When forming coalitions, we asked our local organizations not to insist at all costs on the same relative strengths that had evolved in national politics. After all, every municipal government must bear in mind primarily the interests of its local residents. Therefore, the interests of party politics must not be the primary consideration.

[Bodnar] One wonders whether these extreme coalitions will be viable.

[Csapody] It will be possible to decide how extreme these coalitions are only on the basis of what kind of agreements will have been concluded regarding the deputy mayor, the council's clerk, and the committee chairmen. The future will tell whether random good luck or goodwill formed these coalitions, and whether they will be able to function. If they are able to function, then it will not be possible to regard them as extreme. Incidentally, I do not think that they will be unable to function. Of course, that will also be a test of wills. If the elected officials start to work immediately, then these local-government councils will be very effective. It is also extremely important that members of any council get to know one another thoroughly, and not approach one another solely on the basis of party considerations. Anyhow, the people have become completely disillusioned with party politics, and political skirmishing is unlikely to flare up within the local governments. Success will depend basically on interpersonal relations, which include, also, shared values. Thus, if someone has been elected on the basis of the MDF's system of values, he cannot engage in politics according to the MSZP's leftist system of values. On the whole, I am looking forward with optimism to how these strange coalitions will work.

[Bodnar] Is national politics likely to follow the local governments' example by starting a rapprochement between parties that are at opposite poles from each other?

[Csapody] The MDF, FIDESZ and KDNP may actually be regarded as a union party. In the near future we will strive to make parliamentary cooperation among these three parties as close as possible. Closer cooperation with the FKGP at the local level is feasible. In national politics, however, I do not see at present even the slightest chance of a rapprochement between the MDF and the SZDSZ, because the Free Democrats' idea of middle-class mentality is quite different from that of the MDF. The situation is the same regarding the MSZP as well. The future will tell whether cooperation with them at the local level is feasible.

[Bodnar] Can one attach any significance to the fact that in Nograd County the MDF-FIDESZ-KDNP-FKGP-SZDSZ five-party coalition has ousted the MSZP from power?

[Csapody] Its significance is symbolic. After all, the MSZP is not a civic party. Therefore it should not take offense at being left out of the coalition.

Impact of Forint Devaluation, Tariff Increase

95P20663A

[FBIS Media Note] The Hungarian press has given wide coverage to the expected impact of the 25-percent devaluation of the forint over the coming year and the 8-percent increase in the tariff on most imports, announced on 11 March as part of the government's austerity program.

The trade union daily NEPSZAVA on 13 March cited many economists who supported the devaluation, but with reservations about its efficacy. Frigyes Harshegyi, vice president of the Hungarian National Bank, noted that the devaluation will not have the desired effect unless it is "accompanied by price and wage restriction measures." Harshegyi indicated that the central bank

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"will institute restrictive measures" to regulate the commercial banks. Tamas Bacskai, a professor at the Budapest University of Economic Sciences, responded "with great satisfaction" to the news of the devaluation, although he suggested that it was late in coming, saying that "a large, one-time devaluation" to decrease imports and increase exports would have been justified as early as January. Andras Inotai, president of the World Economics Research Institute, said that he had been expecting the austerity measures because a group of economic experts called together by Prime Minister Gyula Horn had "reached agreement" that the measures were necessary. However, Inotai cautioned that "devaluation in itself is not enough," stressing that it is necessary to avoid wage increases and to make Hungarian products more suitable for export markets.

Economist Erzsebet Gidai of the Social Research and Prognosis Institute—who has in the past urged the government to ask the West for debt relief—was more negative, according to an interview in the 14 March NEPSZAVA. Indicating that she considers the government's measure unsuitable for solving Hungary's problems, she noted that while devaluation "does not cause any particular problems in a stable economy," in an economy "that is in a crisis situation, it does not produce the expected result. Without a productive base there is nothing to export, so the measure in itself is not worth much," she declared.

Focusing on the impact of the devaluation and the 8-percent increase in tariffs on imported food products, the 17 March NEPSZABADSAG reported that the measures will rapidly increase consumer prices 20 percent. Affected most quickly will be imported milk products and other goods stocked in small quantities, the director of the Plus import enterprise told the paper. He's worried, he said, that prices will become so high that consumers will "get out of the habit" of buying the products, so that it will not be worthwhile to put in any orders for them. He added that the cost of domestic products would also increase because foreign materials are used in a "significant" part of Hungarian-made products. Another official of the company said that it will sell "significantly less" fruit and vegetable products as a result of the measures. However, he held out some hope that the company would be able to persuade foreign companies—as has happened in the case of of "numerous suppliers of milk products"—to shift their production facilities to Hungary. The representative of another company, which specializes in meat products, said that there will be at least an "8-to-10-percent increase" in meat prices. The export of meat products would also be negatively affected, he noted, because many export producers depend on imported animal ingredients and packaging materials.

Although the government's program provides exemptions from the 8-percent tariff under some circumstances, including if the imported items are used in products slated for export, a separate article in the 17 March NEPSZABADSAG reported that the exemption process is a complicated one that will cause "problems" for entrepreneurs and authorities alike. The importing entrepreneur will have to pay the 8-percent tariff in any case but will be able to apply for a refund if it can be proven to the tariff authorities that imported items are to be utilized for specified "capital goods." However, NEPSZABADSAG said, "a whole year may pass" between the time the tariff is paid and the refund is granted.

The same article also reported that according to unspecified sources, the Hungarian authorities "neglected" to inform foreign trade partners that Budapest was planning the tariff increase. NEPSZABADSAG noted that while such prior notification is not mandatory, it is considered the "proper" thing to do since the increased tariff "violates bilateral agreements already in effect, such as the free trade agreement between our country and EFTA, as well as generally accepted contracts, such as the GATT agreement."

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Bartoszewski on Ties to Russia, FRG, Austria

AU2803071795 Vienna DIE PRESSE in German 27 Mar 95 p 3

[Interview with Polish Foreign Minister Wladyslaw Bartoszewski by Burkhard Bischof; place and date not given: "In Austria I Learned Much About Europe and About the Sense of Reality"]

[FBIS Translated Text] [Bischof] Mr. Foreign Minister, in an interview with DIE PRESSE in the autumn of 1994, your predecessor Andrzej Olechowski recommended to the West to use a policy of "carrot and stick" in its dealings with Russia. What policy toward Russia would you recommend?

[Bartoszewski] I do not make recommendations in this respect; every country has to shape its foreign policy itself. As far as Poland's policy toward Russia is concerned, I discussed it with Russian Foreign Minister Kozyrev on the sidelines of the stability conference in Paris. I stressed that it is Poland's declared objective to become a member of the EU and NATO.

I also told Mr. Kozyrev that we are against any interference in internal affairs of neighboring states, both large ones and small ones. We also do not interfere. On the other hand, we expect our neighboring states to refrain from interfering in our talks, decisions, the establishment of closer ties or withdrawals in the field of foreign politics. In addition, I told Mr. Kozyrev that I think that it is grotesque to regard small European countries as a threat to gigantic powers.

In that context, I would also like to mention an example that is little known in Austria: Norway is a NATO member, it has a joint border with the Russian Federation, but it rejected entry into the EU. Everyone in the world would laugh if it were claimed that Norway is threatening world peace or the Russian Federation. I would like to see Poland in the same situation as Norway, no better or worse. Kozyrev was rather taken aback when I told him that.

[Bischof] Regarding Poland's ambition to become a NATO member, it has been heard from Brussels that Moscow may give up its resistance to the alliance's eastward expansion as long as new troops and nuclear weapons are not deployed in the new member states: Are these conditions with which Poland could live?

[Bartoszewski] Nobody has approached the Polish Government with this matter; I only know the press reports about it. Basically, however, we do not see ourselves as a second-class state. If we were important enough for World War II to break out because of us, we are also important enough today to say clearly that our foreign policy is the free decision of the Polish Government and not the decision of any other state.

Russia's diplomacy can fall back on continuous experiences of 200 years. Therefore, one has to respect Russia's role and must not look down on it or humiliate or reject the Russian partners. I am also of the opinion that there are hardly any greater realists in the world than the Russians. Politics is the art of the possible and the Russians often know exactly and more quickly than the others what is possible. I am the last one to underestimate the Russians; on the contrary: I may even overestimate them.

In the past few years, the Russians have already said a lot about NATO's eastward expansion. There have been statements by President Yeltsin, corrections, corrections of corrections, commentaries, and interpretations as among dialectic philosophers. I am absolutely convinced that the last word has not yet been said.

[Bischof] There seem to be ill feelings between Poland and its Western neighbor, Germany, because so far Bonn has not reacted positively to your initiative to invite President Walesa to the Berlin ceremonies commemorating the end of World War II on 8 May.

[Bartoszewski] I want to make this clear: I have never presented a concrete written proposal as foreign minister. I made a purely personal comment on this issue as a historian and specialist on World War II: I believe that after German President Roman Herzog's visit to Warsaw on 1 August 1994, where he made a wonderful, clever, and courageous statement, it would be a good opportunity to take the next step. I have not even discussed this proposal with President Walesa. This was only my personal opinion as a builder of bridges between Poles and Germans and not an initiative of the foreign minister.

The Polish and the German media erroneously mixed that up. I am the last one to want to prescribe recipes for anyone. However, in my opinion, it would be a pity if this chance were missed. If the Germans think differently, that is their business.

[Bischof] What experiences from your work as ambassador to Austria are you taking home to Warsaw? What is the state of bilateral relations?

[Bartoszewski] For me the four and a half years of watching Austria's road to the EU, with all internal and external difficulties, were particularly instructive. For example, the problems of agriculture connected with entry into the EU: A third of the Polish people live in the country and I can imagine very well that our farmers' way of thinking is not very different from that of the farmers in Tirol or Burgenland. In this respect, my stay in Vienna was a time of apprenticeship. I have to thank Austria, as in Vienna I learned very much about European developments, the European way of thinking, and the sense of reality that the Austrians have shown to a large extent in the final analysis.

All together, there are only a few countries in Europe with which we have such satisfactory relations as Austria. Problems are occasionally created by Austria's

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policy toward foreigners. However, one should not permit these problems with the Austrian police authorities to become a spoonful of pepper in a jug of honey.

Defense Minister on Work, Arms Industry, F-16's

WS2803073095 Warsaw RZECZPOSPOLITA in Polish 24 Mar 95 p 3

[Interview with Polish National Defense Minister Zbigniew Wojciech Okonski by Zbigniew Lentowicz; place and date not given: "I Will Smooth Away Edges If I Have Enough Time"]

[FBIS Translated Text] [Lentowicz] You have recently divulged that you have an idea of how to arrange the relations at the top, where a conflict over power has been going on continuously for some time now. Its formal expression are two conflicting bills which have found their way into the Sejm.

[Okonski] I cannot reveal any details about that. We are holding talks and I would like you to write that it will take some time, because the problems are closely related to constitutional matters. It is the president who has authorized me to take action. Incidentally, I am convinced that the commander in chief has so far had too few instruments makin it possible for him to use the powers guaranteed to him by the Small Constitution.

[Lentowicz] Today we have two clear options; it can be assumed that they overlap with the ideas found in the laws—the presidential law and the deputies' law. The former gives more powers and possibilities to the commander in chief, whereas the latter specifies the present state of affairs—direct control over the Army and over the chief of the General Staff is exercised by the minister. Have you chosen one of them already, or are there new, compromise proposals?

[Okonski] For now I can only say that I have asked the Sejm to delay things a bit and I expect that I will provoke a long discussion with politicians. My first meetings were with the president; I am also discussing things with representatives of the coalition, with deputies of the Sejm committee. Prime Minister Oleksy told me that I can come visit him any time. Incidentally, we have already had a chance to discuss a couple of things.

[Lentowicz] Are the president's arguments hitting home?

[Okonski] Everyone approaches the issue very seriously, and I surely appreciate that. A few days ago, for example, I held a meeting with Sejm Deputy Szmajdzinski, chairman of the Sejm National Defense Committee, and I believe that he shares my views on some issues. I am going to talk to former Defense Minister Janusz Onyszkiewicz, who is linked with the Freedom Union. I know that while trying to resolve the problem of steering the defense system, we must seek a solution that would last longer than just a couple of months. I would like to havea discussion that would deal with the substance of the matter, but that would be held at the level of the decisionmakers.

[Lentowicz] As I understand it, by starting the discussion you want to improve the chance of implementing the solutions proposed in the presidential bill?

[Okonski] I believe that there are certain interests, which are not only the interests of the president, but are of a more general nature. They involve the responsibility borne by the head of state for the country's security; however, he does not have the instruments that would help him bear that responsibility. It is very easy to imagine a situation in which the president is held responsible for a concrete failure internationally following which he is brought before the State Tribunal. He would certainly not be excused if he tried to explain that in certain circumstances he was unable to give a specific order to the defense minister.

Aside from that, the Armed Forces cannot be manipulated, nor can they be a tool used by political players. They should be anchored in a very stable configuration. In Poland, this more stable configuration happens to be the president's office.

Nonetheless, there is absolutely no doubt—this is the agreement I arrived at with General Wilecki and the authors of the presidential bill—that the minister is the civilian superior of the head of the General Staff. I will add that he also has the right to issue orders. However, the civilian head of the National Defense Ministry should not "circumvent" the chief of staff and issue orders to his subordinates without the general's knowing about it.

[Lentowicz] Do you think that such a system will prevent trends toward alienating the Army?

[Okonski] The Army becoming alienated or more autonomous—these are cases of some bizarre allergy to the press; this is not justified by what is really happening. If there have been such symptoms at all, today generals are making substantial corrections in them. It has dawned upon them that we are all in the same boat. I do not have any fears, and I believe that the president does not have any, either—that is one thing. Second, the president, as well as I, want very much for the Armed Forces to be as stable as possible and to remain unaffected by political changes.

[Lentowicz] Political games, whose victims, according to the president, might be an Army dependent on the governing coalition, is also a myth. The Sejm, which is full of people who have different opinions on so many issues, has arrived at a consensus on defense. There is also a consensus on the principles of civilian control over the Army. On the other hand, the Army clearly avoids cooperation with democratically elected state organs.

[Okonski] I do not get such an impression. On this I agree with Gen. Wilecki: Opinions voiced by the highest

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ranking military officials should from time to time be taken into account by political bodies—these opinions should be treated as competent analyses of the country's defense system. In some countries the highest ranking military official is bound by law to appear before an appropriate parliamentary body and present his evaluation of the situation.

[Lentowicz] So far Gen. Wilecki has been appearing in the Sejm to discuss issues of secondary importance—he has only very rarely visited the Sejm to present a general report.

[Okonski] I realize that. Particularly the Drawsko incident provoked more animated discussions.

[Lentowicz] During the commission hearings, you said that Drawsko could never happen to you.

[Okonski] Due to the functions I performed previously, I had frequent contacts with the military, the defense industry, and the president's associates. I saw the first symptoms that things were beginning to go wrong between the minister and the highest command about one year ago. Perhaps I will also be subject to such a process, but both I and Gen. Wilecki have declared that we will reach "internal" agreements, so that we can present a joint stance on the outside. We have also defined our mutual relations from the very beginning. We had laid down the principles of our cooperation in the presence of the president, before I even accepted Lech Walesa's offer. Wilecki acknowledged the superiority of the defense minister which is provided for by the existing laws.

[Lentowicz] The authority of the head of the Ministry of National Defense has been seriously undermined. Will you restore the esteem it deserves? Is that at all possible?

[Okonski] We always base our current opinions and ideas on what happened, in hindsight. I see that everyone has learned a lot and drawn conclusions from these last few years. I am fortunate to be entering the scene when the lesson is already over, and I see a strong tendency of improving the situation in the entire ministry, or at least the goodwill to do so.

[Lentowicz] Is everyone tired already?

[Okonski] Yes, everyone is tired of the situation, yet we must all build, and not destroy. We have been thrown together, and the generals have seen with their very own eyes that civilian control is now a must. There simply is no alternative. As very practical, pragmatic people they are trying to conform to that. And they are conforming.

Of course, I am aware of the accusations the cadres brought against my predecessors—that they neglected the Army, that they traveled too much. Yet I do not know what I myself would have done when it was necessary to travel abroad and encourage the Western structures to overcome their distrust towards us. Today, I would like to strike a balance, therefore I cannot travel abroad too much at the moment.

I think that if you present the truth objectively, without making unrealistic promises, and put in a lot of effort—and there are several specific issues that can be dealt with within the current rights and financial resources—you will get effects. I have done nothing else for the past three and a half years: the condition of the military industry was poor, in the beginning everyone attacked me, fighting for anything they could get, establishing competition among Polish exporters. Countless lobby groups exerted pressure on me to grant privileges to some while depriving others. Yet I was able to make a name for myself.

[Lentowicz] It is said that to make a name for yourself in the military, you will start with staff reductions within the civilian part of the ministry. Will you go even further?

[Okonski] Certain cuts are necessary throughout the Armed Forces, and I have already discussed this with Gen. Wilecki. I know of his plans and would like to synchronize them with mine.

He is also aware that these staff reductions are a necessity stemming from reality. We have to reorganize the staffing structure, cause a certain movement so that graduates of military academies know that the very best have a promising military career ahead.

[Lentowicz] How would you describe your cooperation with the deputy ministers you "inherited" from your predecessors?

[Okonski] I have not yet made such an assessment. So far, I am taking a close look at the ministry. I am looking for the source of tensions between the civilian and the military parts of the ministry, and I will smooth the edges. I know that friction is inevitable, and that a lot depends on people. Staffing decisions, particularly in the civilian part of the ministry, will depend on my diagnosis of the situation. I will consult decisions pertaining to the military part with Gen. Wilecki. People must have the will to cooperate with each other. Those who remember me from my previous job know that I did not hesitate to make very painful decisions, even when I risked losing my job.

[Lentowicz] Will you smooth the edges with the General Staff as well?

[Okonski] There will be no exceptions, but I do not want to divide the ministry and favor any of its parts. I want to prepare for the staffing changes, but I do not know whether I will have the time.

[Lentowicz] At the time we are conducting this interview, representatives of the military industry are picketing the Office of the Council of Ministers. Over the last four years you sold weaponry and special equipment, in

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the future you will order munitions on behalf of the Army. Is this protest justified?

[Okonski] It definitely illustrates some objective problem which is not easy for the defense industry. Yet you cannot dismiss the issue in one sentence. Some plants are doing quite well, they have already finalized settlement proceedings [postepowanie ukladowe], they do not have any debts, they are not idle, the majority have switched to civilian production and have markets for their goods. The Rzeszow Transportation Equipment Plant can serve as an example—it produces plane engines and assembly units that are praised by the Americans. On the other hand, you have Mielec, which used to produce hundreds of transport planes for the Soviet Union—a partner which demanded neither any special effort, nor market flexibility.

[Lentowicz] A lot still depends on military purchases. After the recent squabble with the "Tarpans" [Polish jeeps] for the Army, do you not think that the principles of putting forward offers to the Army should be clarified?

[Okonski] I do not know of any instance when purchases were not objective or not optimized. There certainly were not many such cases, which was due to the financial condition of the state. A procedure which, for obvious reasons, cannot be made known publicly, has been applied for the last four years. Each offer is analyzed by a commission made up of many representatives of various ministries, including the Ministry of Internal Affairs and the Finance Ministry. The proceedings are thus translucent for a certain group of authorized people. It cannot be otherwise. I think these issues will be disclosed to a group of deputies selected by parliament.

[Lentowicz] You are said to have an idea for developing the special industry?

[Okonski] Foreign bidders for communications, electronic, and rocket systems that have not been produced in our country so far are forced by the current tender criteria to consider manufacturing their products in Poland.

[Lentowicz] Do these plans provide for the purchase of F-16 fighter bombers? During a hearing before the Sejm commission you said you are not an enthusiast of that plane.

[Okonski] No final decision has been made as yet. We have not answered the question of what the future of Polish fighter-bomber aviation will be. Our fighter-bomber aviation sector is quite good and not many modifications would be needed to adapt to NATO standards.

[Lentowicz] Will you put out money for the "Iryda" planes? Thus far the Army has been financing the Mielec project...

[Okonski] That is one of the issues we must settle soon. I know this was the source of last year's tension between Mielec and consumers, who were not satisfied with the "Iryda" planes. I do have my own idea of how to solve this problem, but to implement it I need the cooperation of the managers of the plant in Mielec and other plants, as well as foreign cooperation. Preliminary offers have begun flowing in from other places. There is a chance that the aviators will not be made happy by force.

Commentary: NATO After Munich Conference

95EP0070A Poznan WPROST in Polish No 9, 26 Feb 95 pp 43-45

[Article by Piotr Cywinski: "The Ghost of Yalta: NATO's Barrier to Poland"]

[FBIS Translated Text] "It can be assumed that Helmut Kohl brought in his baggage a plan for admission to NATO," wrote a BERLINER ZEITUNG reporter on summing up the German Chancellor's visit to the United States. His talks with the American President were intended to achieve a united stand on extending NATO to the East. And they did so, but not, it seems, quite as desired and expected by the countries standing on line for admission to NATO.

During the Munich security conference, which was attended by some 200 principal representatives of world politics, including the leading diplomats and heads of defense ministries of the FRG, France, Great Britain, and the United States, an explicit division emerged between supporters of a rapid admission of new members to NATO and those proposing a "long-term process" of NATO's expansion. Willy Claes, NATO secretary general, repeatedly emphasized that the allies still have not faced up to the new European reality. NATO is gripped by a crisis whose consequences can be clearly seen on the territory of the former Yugoslavia; it lacks a concept of both global policy and a definite vision of the future.

Klaus Kinkel, FRG foreign minister—as usual, contrary to the suggestions of Volker Ruehe, the head of the Defense Ministry—has resolutely opposed a rapid extension of NATO to the East. What is more, he proposed halting that process and wanted to make an eventual admission of Poland, Hungary, the Czech Republic, and Slovakia contingent on their membership in the European Union. The French, while flirting with Poland offstage during the Munich talks, are totally in agreement with Kinkel.

As for the British, they have never concealed their skepticism about the vision of Poland's presence in the ranks of NATO.

The Americans also are abandoning the struggle for a rapid inclusion of Central-East European countries in NATO; their position is changing practically from day to day.

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Barely a few weeks prior to Helmut Kohl's arrival in Washington President Bill Clinton and Secretary of Defense William Perry had, under the influence of the events in Chechnya, proposed a faster pace of the extension of NATO. However, as ensues from their more recent comments, both these politicians changed their opinion under the influence of the FRG chancellor who, in accordance with the desire of the United States, is to play the first fiddle in European politics. Helmut Kohl is availing himself of this unwritten privilege, leaving no doubts as to his intentions. Before departing for the United States, the chancellor refused to listen to the warnings of Sergei Yushenkov, the head of the Defense Committee of the Russian Duma, who had during his visit to the FRG demanded "resoluteness of the West" and a firmer posture ("sharper steps") toward Russia. Yushenkov warned against "Yeltsinomania" and perceiving the Russian president as the sole guarantor of Russia's democratic course. But Helmut Kohl, unwilling to offend his friend Boris, declined to receive Sergei Kovalov, the Russian citizens' rights spokesman, who was proclaiming in Bonn opinions coinciding with those of Yushenkov. What is more, in order to leave no illusions as to the course of German policy, the chancellor stressed, while in Washington, that a firmer stand toward Moscow is not under consideration, and that any sanctions for the events in Chechnya, such as, e.g., a blockage of credit for Russia, "are not a subject for discussion."

The positions taken by the United States and the FRG following the latest meeting of the heads of these countries, became united: They both think that Poland, because this mainly concerns our country in the plans for the expansion of NATO, should not be a bone of contention between the West and Russia. "Russia does not have and shall never have the right to veto NATO decisions," as the leading NATO politicians, headed by Willy Claes, emphasize in unison. Unofficially, however, that right has already been granted to Moscow, as it were. William Perry admitted for the first time, "'Partnership for Peace' has nothing in common with the preliminary stage of admission to NATO."

"It is obvious" that certain Central European signatories to Partnership for Peace "shall never be able to become members of NATO."

While still in Munich Perry proposed establishing a "Standing NATO-Russian Committee" for discussing mutual positions on defense policy. The Russians are for it. Moscow's rebuilding of its former military structure, as demonstrated by its rapprochement with Belarus and the recent CIS summit, is being overlooked by Western politicians, since, after all, it is taking place with the approbation of former members of the Soviet empire. It is symptomatic that at the recent meetings of the United States and German heads of state not a word was said about the Baltic countries seeking admission to NATO. In the opinion of the United States secretary of defense, no country will be admitted "piggyback" to NATO. Poland's optimism about its rapid admission to NATO appears to be naive and groundless.

The Munich conference was attended by the elite of world politics. Poland was represented by neither its foreign minister nor its defense minister, simply because those posts are vacant at present. Polish interests were represented by Janusz Onyszkiewicz, whose enthusiastic interpretation of that conference following his return to this country is plainly divorced from reality. The tone of German commentaries is quite different. A definite change in posture on the issue of Poland's admission to NATO has taken place. "Warsaw today is farther from NATO than it had been barely yesterday," as DIE WELT commented already in the heading of its article, "Distancing Toward Poland." Yet not so long ago, according to surveys by the Friedrich Naumann Foundation and the Rand Corporation, 48 percent of Germans had supported Poland's admission to NATO.

Impact of International Pacts on Defense Policy

95EP0069A Warsaw MYSL WOJSKOWA in Polish No 1, Jan-Feb 95 pp 5-14

[Article by Professor Leonard Lukaszuk: "The International-Law Context of Poland's National Security and Defense"]

[FBIS Translated Excerpt] [Passage omitted] National security and defense policies are shaped by the general assumptions of the state's foreign policy in the plane of political and economic treaty ties, military cooperation, cross-border (Euroregions) cooperation, etc. Defense policy and the related provisions of domestic law concerning national security and defense are subject to restrictions ensuing from the general principles of international law (arms control, disarmament, nonproliferation of specified kinds of weaponry), the law on armed conflicts (humanitarian law) concerning the manufacture of specified kinds of weaponry, the rules for the organization and operation of civil defense, and also the international agreements concerning numerical limits on the personnel and armaments of military forces as well as international inspections. Certain constraints and prohibitions also ensue from the Pacts on the Rights of Man as regards military issues.... [passage omitted]

The laying of international-law foundations of collective security in Europe is chiefly linked to processes of institutionalization of the CSCE system and the cooperation of concerned countries with the NATO system.

NATO as an intergovernmental organization established in 1949 on the basis of Article 51 of the United Nations Charter guides itself by the principles of that document, acknowledging the shared values of democracy, rights of man, law-ruled government, and a peaceful order in Europe. In accordance with the principle of equal security for all the member countries of the alliance regardless of their situation and military potential, NATO is contributing to stability in Europe, which creates the

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conditions for a growth of cooperation both among the members of the alliance and with other countries. NATO strives to promote progress in the field of disarmament and to maintain the strategic balance in Europe.

The July 1990 London Declaration of the Summit Meeting of NATO Countries and the May 1991 Copenhagen Declaration on Partnership with the Countries of Central and East Europe initiated cooperation between NATO countries and the countries of Central an East Europe, a cooperation converging in its assumptions with the CSCE processes and their institutionalization. The plane and conditions of such cooperation are provided by: The November 1990 Paris Declaration of Nonaggression, the Paris Charter for a New Europe, the Treaty on Conventional Forces in Europe (CFE Treaty), the strategic concept of the alliance adopted at the November 1991 meeting of the North Atlantic Council in Rome, and the North Atlantic Cooperation Council established in December 1991. Among the military aspects of the institutionalization of CSCE processes noteworthy are the establishment in Vienna of the Center for the Prevention of Conflicts as well as the creation of international-law instruments in the form of means of building confidence (Vienna Document of 4 March 1992 and the Open Spaces Treaty of 24 March 1992), and the restrictions on conventional arms (CFE Treaty) along with ceilings on the numbers of military personnel (CFE-1A Treaty of July 1992).

Poland, which has signed these treaties, is bound by all of their provisions. This means reducing the number of Polish tanks to 1,730, armored combat vehicles to 2,150, artillery of more than 100 mm caliber to 1,610, combat aircraft to 460, combat helicopters to 130, and military personnel to 234,000.

Joining the Agreement on Partnership for Peace, as a kind of adaptive process prior to its future membership in NATO, poses to Poland many new tasks. This ensues from an analysis of the documents of NATO as an integrated military structure guided by principles of collective security as well as by agreements on planned cooperation in and coordination of activities, standardization of equipment, and planning of operations relating to civil defense and medical assistance. The adaptive processes will also require specific legislative and organizational-technical changes within the Polish Armed Forces, along with the conclusion of appropriate international agreements. This concerns technical, functional, and legal compatibility not only with NATO structures but also with other West European organizations, e.g., the West European Union (assuming in the long run the integration of Poland with these structures). The international law foundations of security and defense in this integrative plane also include the standards developed in the European Communities regarding the protection of the rights of man and civil rights and a model of democratic control of the military, which will have to be reflected in the Polish legal system. This also applies to norms of the humanitarian law on armed conflicts, adopted in the international conventions and supplementary protocols ratified by Poland. These include, among others, the Geneva conventions on civil defense and on the popularization of and adherence to humanitarian law at specific levels of command.

Poland has signed 21 international agreements concerning the law on armed conflicts. As ratified by Poland in 1991, the Supplementary Protocol (1) of 12 August 1949 to the Geneva Conventions, concerning the victims of international armed conflicts, which took effect 7 December 1978, imposes on the countries-sides to the conflict the obligation of issuing appropriate orders and instructions with the object of assuring adherence to the provisions of these conventions and supervising their implementation. The Geneva Conventions and the Supplementary Protocol specify that, both in peacetime and in the time of an armed conflict, these provisions are to be included in military training programs and popularized among the public. Military and civilian authorities must be familiar with the texts of the Conventions and Supplementary Protocols; military commanders must make sure that the enlisted and commissioned personnel of the units they command be familiar with their obligations ensuing from international law. As the need arises, legal advisers should be placed at the disposal of the military in order to advise commanders on the terms of application of the Conventions and provide the related training to military personnel. Military and civilian authorities are accountable for applying these Conventions.

In recent years Poland has been displaying considerable initiative on behalf of strengthening European security and peaceful cooperation in this region, on, among other things, participating in CSCE work. This is reflected in Poland's striving to conclude treaties with neighboring countries as well as with those linked to Poland by traditional ties of friendship (France). This also is reflected in the activities of the Polish parliament. Thus, for example, there are the resolutions of the Polish Sejm in 1991 concerning the acknowledgment of the independence of Belarus and Ukraine and the need to develop broad good-neighbor cooperation with those countries (MONITOR POLSKI, No. 29, Items 205, 206; No. 45, Item 612).

On 26 November 1991 the Polish Republic became a full-fledged member of the Council of Europe, this being a symbol of its linkage to the community of European countries, as noted in a resolution of the Polish Sejm (MONITOR POLSKI, No. 46, Item 322). This fact is also of political significance in the broadly conceived context of Poland's security.

The Polish Sejm, in its Resolution of 4 July 1992 on the implementation of the European Treaty, which establishes Poland's association with the European communities and their member countries, expressed the hope, acknowledging the importance of that treaty to this country's future, that this will promote the transformations and growth of the Polish economy and secure for

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Poland its proper place in Europe. At the same time, for a proper protection of national interests, the Sejm resolved to place the government under the obligation of presenting a program of measures adapting the Polish economy and legal system to the requirements ensuing from the provisions of the European Treaty while at the same time protecting the Polish economy against excessive and dishonest competition. The Special Commission for the European Treaty was appointed (MONITOR POLSKI, No. 23, Item 165).

The Polish Senate, in its Resolution of 26 June 1992 Concerning Polish Policy on Europe (MONITOR POLSKI, No. 20, Item 150), stated that the natural orientation of Polish foreign policy is toward Europe, construed as a geographically, civilizationally, and culturally homogeneous organism; from this ensues the need to overcome the post-Yalta division by means of various forms of Central European regional cooperation such as the Visegrad Triangle, the Central European Initiative, and the Council of Baltic Countries. The Senate stressed that a priority objective of Poland's European policy is the integration of Poland with the European Communities and cooperation with the Council of Europe, the West European Union, the CSCE, and NATO, which may markedly contribute to European security. At the same time, the consistent rapprochement with European structures must be accompanied by intensive contacts and partnership with our eastern neighbors.

Poland's integration with European structures and the strengthening of security in Europe are to be promoted by the 9 April 1991 Treaty of Friendship and Solidarity Between the Polish Republic and the French Republic (DZIENNIK URZEDOWY, No. 81, Item 415). That treaty refers to the United Nations Charter, the provisions of the CSCE, and the obligations ensuing from international law. France obligated itself to promote the development of close relations between the Polish Republic an the European Communities, as well as to support efforts to solve Poland's debt problem. Poland and France will engage in regular consultations on bilateral affairs and on the subject of major international issues, especially those concerning security and disarmament in Europe. In the event of a threat to peace, a disturbance of peace, or the undermining of fundamental security interests, consultations on the subject will be held immediately.

Assumptions of Polish security policy. The "Assumptions of Polish Security Policy" of 2 November 1992, signed by the Polish President, and the National Defense Committee's "Main Assumptions of the Security Policy and Defense Strategy of the Republic of Poland" (the so-called defense doctrine of Poland) broadly refer to an international-law context and to the principles of international law. In these documents Poland has declared that it is pursuing a security policy that is consonant with international law, and in particular with the provisions of the United Nations Charter and other multilateral and bilateral acts, as well as with the provisions of the Conference on Security and Cooperation in Europe. Poland respects the inviolability of frontiers in Europe, relinquishes any territorial claims, guides itself by respect for the sovereignty of other countries and the principle of noninterference in their internal affairs, and it renounces the use of force or the threat of using it. To assure security, Poland declares readiness to cooperate with all its neighbors, without intending to conclude military alliances with one neighbor against another. Poland believes that regional and neighborly cooperation will facilitate mutual entry into a future all-European system of collective security, comprising North America as well. Poland expects of all the countries that they work out and adopt a nonconfrontational defense doctrine presupposing an increase in not only their own security but also in the security of other countries, especially the neighboring ones.

Poland supports building international confidence in the military domain through greater openness and elimination of mutual suspicions, and it also supports the formation of multinational military forces with the participation of Polish soldiers, as well as the formation of mixed military units jointly with neighboring countries. Poland recognizes international agreements on the reduction and restriction of military forces, especially of conventional forces in Europe. Furthermore, Poland believes in the need to adhere to the principle of nonproliferation of nuclear weapons and reduction in nuclear arsenals.

Poland also has declared its readiness for cooperation in defense matters with neighboring and other countries. Through economic partnership on the international arena, and by strengthening its market economy, this country strives to participate in shaping the system of international security, eliminating military threats, and assuring a balance of interests and cooperation in solving global problems and challenges. Further, Poland is acting to promote broadening the cooperative system of security with the participation of international institutions, and it is exploring new forms of bilateral ties, chiefly with the countries of Europe and North America. Poland also aspires to participate in multilateral solutions, especially along with the European Communities and NATO—as the principal factor in stability and security in Europe, and to take part in utilizing the mechanisms and institutions of CSCE with the object of arms reduction in Europe and the political and military stabilization of the new member countries of CSCE that have arisen on the territory of the former USSR.

Regional agreements within the Visegrad Group, which are not military alliances are intended to consolidate the feeling of stability and security in the region and to serve as a kind of liaison between the European Communities and Ukraine, Belarus, and other countries of the region. In addition, cooperation with Russia, Lithuania, and Germany is to be developed both in good-neighbor and regional terms and in all-European terms, as based on respecting international law.

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The international-law aspects of Poland's security and defense are also taken into account in the "Report on the State of the Republic" (PRZEGLAD RZADOWY, No. 10, 1993), which mentions the following among the principal objectives and priorities of Polish foreign policy:

—Strengthening of national sovereignty and national security from without.

—Poland's association with the European Communities and cooperation with Western security structures, especially with NATO.

—Cocreation of a new European order based on cooperation between European and Transatlantic countries and institutions, and especially the creation, within the CSCE framework, of a security system on the European continent.

—Consolidation of regional ties, such as the Visegrad Group, the Council of Baltic Countries, and the Central European Initiative.

—Continued cooperation along the Paris-Bonn-Warsaw line with the object of promoting Poland's integration with the West and developing a new model of all-European cooperation.

—Political and economic cooperation with Western countries and certain developing countries.

—Participation in various forms of activity of the United Nations and other international organizations, intended to resolve conflicts in Europe and the World, along with striving to strengthen the role of the United Nations in the international-law definition of the new world order arising after the end of the Cold War.

The abovementioned report draws attention to the need to develop, with Polish participation, a new system of collective security in Europe in view of the existing—armed conflict in the former Yugoslavia—and potential threats such as: An eventual rebirth of Russia's big-power aspirations and recreation of the zone of influence of the former USSR; the tendency of Western countries toward political and economic isolationism and marginalization of Central and East Europe; and potential delays in the political, military, and economic integration of Central and East Europe with European structures and the Euroatlantic security system.

Poland is cooperating with the principal NATO countries and the structures of that alliance, and it is taking part in the work of the North Atlantic Cooperation Council and the Consultative Forum of the West European Union. It is making contributions of its own to the institutionalization and strengthening of the operating functions of the Conference on Security and Cooperation in Europe. It is participating in the implementation and broadening of international agreements on disarmament, arms control, and means of building confidence and security in Europe. It also is taking part in many United Nations peacekeeping missions. Poland has offered a proposal for an "Agenda of the Rights of Man," which is to monitor observance of the rights of man by the member countries of the United Nations. [passage omitted]

Dispute With Slovakia Over Hydropower Station

MM2703132895 Krakow CZAS KRAKOWSKI in Polish 17 Mar 95 pp 1, 3

[Article by Henryk Szewczyk: "Big Row Over Little Power Station: Slovakia's Ladislav Myttnik Builds a Power Station on the Poprad Without Official Permission"]

[FBIS Translated Text] The issue of construction of a small hydroelectric power station on the Poprad River in Velky Sulin (across the river from Zegiestow Zdroj) by a Slovak citizen has now developed into an open border dispute which could seriously affect the quality of Polish-Slovak relations. CZAS KRAKOWSKI obtained a copy of a diplomatic note forwarded 28 December last year by Andrzej Olechowski, then head of the Polish Foreign Ministry, to the Slovak Republic ambassador in Warsaw.

"The Ministry of Foreign Affairs of the Polish Republic begs to inform you that a statutory representative of the RIMY Joint Partnership Company, registered at 428 Nova Lubovna in the Slovak Republic, has begun the construction of a small hydroelectric power-generating plant at Sulin on the River Poprad at 41+033 km [as published]," Minister Olechowski wrote, reminding the addressee that, according to the 1958 agreement (between the Polish People's Republic and the Czechoslovak Socialist Republic), which is still in force, any work to be carried out on the border waterways requires formal consent from both sides. In this particular instance the Polish side had not given such consent, and, since two consecutive requests for intervention addressed by the Polish Government's plenipotentiary for cooperation on border waterways to his Slovak counterpart failed to have any effect, "the Government of the Polish Republic requests that the Government of the Slovak Republic initiate action aimed at stopping the construction work...."

Both Ladislav Myttnik of Nova Lubovna and the Government of the Slovak Republic appear to thumb their nose at all relevant international treaties as well as the Polish foreign minister's diplomatic representation. Construction work on the power plant, which was halted for a short while in January, was resumed with increased vigor in February. The progress of work on the site can be observed with perfect clarity from the Polish bank of the Poprad. Ladislav Myttnik is cutting a side drift some dozens of meters long into the hillside with the expertise of a veteran miner.

For the past three weeks the residents of Zegiestow Zdroj could have been forgiven for thinking that they are living right in the middle of the [Army] training ground at

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Nowa Deba. "Day and night, mining explosions rock the ground. They are so strong that they have already caused the cracking of walls in a number of buildings in Zegiestow Zdroj. Last night the explosions were so strong that our child woke up crying with fright, and Grandma kept asking whether World War III had broken out," shaken resident Piotr Z. complains to us (requesting at the same time that his name be kept out of the paper because he has business dealings with Slovak partners). "The Wanda Holiday Home has a crack in one wall that is three fingers wide and runs all the way up from the foundations, and the Sanato Holiday Home looks as if has been hit by an earthquake," he adds.

The outrage felt by the Polish neighbors intensifies with every explosion. It is public knowledge that the Border Guard has been put on alert. The servicemen are keeping a detailed record of the explosions.

At this point in its course, the Poprad flows in picturesque meanders, forming the Polish-Slovak Skillet. Ladislav Myttnik plans to build a dam across the river and channel the resultant high-volume and high-pressure water flow through the drift and onto three turbines (each of about 100 kw), letting the water eventually reenter the river bed at the far end of the Slovak Skillet. According to the technical documentation prepared by the Slovak entrepreneur, it will take a flow volume of 12 cubic meters per second to set the turbines in motion. The difficulty is that a continuing drought has troubled the region for the past 13 years and even at this time of year, that is, in March, when the water is relatively high, the flow volume is no greater than 6 cubic meters per second. That is why the inhabitants of Zegiestow Zdroj have opposed Ladislav Myttnik's project from the very beginning, as have the local self-government body and the environmentalists.

"We can invoke many arguments against this project," Marek Siedlarz, deputy mayor of Muszyna and member of the Zegiestow City Council, says. "First, the power plant's uptake of water will create the danger that the bed of the Poprad will dry up along a 2 km section and that the subterranean water will drain away from the entire area. Second, the project represents a monstrous tampering with the landscape and the natural life of the most beautiful corner of our parish."

Polish Minister Ignored

The power plant will also shorten the length of the proposed route of a new down-river Poprad raft ride for tourists. The launch of the raft rides scheme (starting in Leluchow) is planned for June this year, and parish authorities pin great hopes on it.

Ladislav Myttnik obtained the necessary legal consent for his project from the Bodrog and Hornad Drainage Basin Authority in Kosice in no time at all (he also secured approval for the construction of a semidam on the river to raise the water level). He had to wait somewhat longer for the (negative) decision of the Environmental Protection Section at the Nowy Sacz Voivodship Office. He appealed against that to S. Zelichowski, the Environment Minister. According to the terms of the Polish-Slovak agreement cited by Minister Olechowski, Ladislav Myttnik should have waited to launch the power station construction project until he received the (putative) approval from our minister and also the final decisions from each of the respective government plenipotentiaries for Polish-Slovak cooperation in the sphere of water resources management. Myttnik did not wait for any of these decisions. "The Slovak side intends to achieve its aims by confronting the Polish side with faits accomplis in this matter," Minister Zelichowski wrote in a report addressed to the speaker of the Sejm of the Polish Republic in reply to a parliamentary question asked by Maria Zajaczkowska of the Democratic Union (who herself comes from Muszyna) and Sejm Deputy Jan Komornicki, chairman of the Sejm's Environmental protection Commission.

Let Him Build Windmills

Polish experts estimate that Ladislav Myttnik must have invested several million korunas in the project. No one believes that he will, as he declares, only take the water to operate the turbines during the high-water periods on the River Poprad. Some people fear that, since he has already invested so much in the scheme, he will definitely refuse to abandon it and, if the dam project does not go through, he will "steal" water from the Poprad by means of underground pipes. But a way to thwart him has already been thought of in Zegiestow.

"If the Polish Government fails to get anywhere with him, we will excavate our own hillside drift upriver from Myttnik's tunnel, and divert the river flow to bypass him. The poor chap will have to switch to windmills then, won't he?" a certain smart devotee of the River Poprad Landscape Park shared the secret with CZAS KRAKOWSKI reporters.

P.S. On 17 March the Polish and Slovak Government plenipotentiaries for "cooperation in the field of management of water resources in the border waterways" will meet at the Ursus Holiday Center in Muszyna.

Solidarity Spokesman on Role To Resist Communism

WS2803075095 Warsaw RZECZPOSPOLITA in Polish 25-26 Mar 95 p 4

[Article by Piotr Zak, press spokesman of the "Solidarity" National Commission: ""S' Remains Sole Real Force Capable of Resisting Recommunization of the Country; There Is Approval on Right Side"]

[FBIS Translated Text] The press is full of commentaries on the recent wrangling among top state authorities. Various social groups are trying to specify the role that "Solidarity" ["S"] will play in the immediate future.

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Politicians evaluate what the union should and should not do. It is characteristic that none of the politicians, who voice such authoritative opinions on the union's activities, ask "S" itself about its opinion.

Poland has gone through yet another period of political crisis. If we used meteorological terminology, we might say that we have gone through a 12-degree storm on the Beaufort scale, and now the storm has died down to only (?) 10 degrees. It stands to reason that the fighting between the president and the coalition of the Democratic Left Alliance [SLD] and the Polish Peasant Party [PSL] has not yet ended. It is also quite obvious that one cannot expect anything good from the overhauled government of this coalition. The new coalition accord between SLD and PSL indicates quite clearly that the return to the Polish Peoples's Republic [PRL] will now be more rapid and more overt. Neither of these parties conceals its appetite for practically all significant posts in the country—not only political, but also economic ones.

Does This Mean That Lech Walesa Has Failed?

I believe that those who express such unequivocal opinions are wrong. Many major political forces, including "S," believe that the present decisionmaking configuration has exhausted its possibilities of action. This follows that the president can count on allies in his battle. Many groupings already support the idea of dissolving parliament (especially those on the right side of the political spectrum), and it may soon turn out that others are also interested in that. This also goes for the groups in the present coalition—which, after all, is far from ideal—and cracks in the bloc, which as recently as a year ago stood as a monolith, are becoming increasingly noticeable.

It is, of course, very difficult to predict political events for the next few months. It is certain that we will witness some major events: the constitutional referendum, the presidential elections, and parliamentary elections. The sequence in which these events will take place is, unfortunately, unknown. I say 'unfortunately' because a clear specification of the rules of the game would help prevent political life from becoming brutal; in addition, it would also help avoid social unrest. It seems that it would be the most reasonable if the constitutional referendum was held first; then, if the draft constitution drawn up by the National Assembly was rejected, parliamentary elections could be held. These elections might, perhaps, be held simultaneously with the presidential elections. The actions taken by the Constitutional Committee of the National Assembly, however, show that the governing coalition will go to extraordinary lengths to put off the referendum and thus not to give a reason for dissolution, or self-dissolution, of parliament before the presidential elections.

How Did the Polish Political Scene Look Before Those Events?

It can roughly be assumed that three (or, perhaps four) blocs are slowly being formed. The first one is the post-PRL bloc of SLD and PSL. This does not mean that these two parties will run together in the presidential or parliamentary elections. Their accord concerns the method of governing the country, rather than anything else. The second one is a liberal bloc, based on the Freedom Union [UW] and on some minor rightist parties which are inclined to cooperate with UW. Finally, the third bloc is a group of rightist groupings that can be described as patriotic, independence-oriented, and Christian. One cannot be absolutely certain that these blocs will actually come into being. The Union of Labor must find its place. Besides, we cannot rule out the possibility of the left wing in UW forming an alliance with the so-called proreform forces in SLD. Finally, since there are so many divisions in the right wing, one can suspect that it will not be possible to form one bloc of these parties. It seems, however, that the right wing, for fear of being pushed into political nonexistence, may form two blocs of groupings at the most.

The Role of "S"

It is necessary to start with the obvious statement that it is naive to believe that the union can entirely withdraw from politics. Quite naturally, even typically unionist activities will be made in some political context. I believe that the union's activists and members are well aware of this, because "S" has recently engaged in activities which were political in nature and they met with great social approval (such as the campaign to collect signatures in support of the draft constitution).

Seeing the disputes—first of all ones over posts—which are plaguing the Polish right wing, "S" and its leader Marian Krzaklewski took on the role of the integrator of the right side of the political spectrum. This seems understandable since in its program resolution the union makes a reference to the social teachings of the church. There are more "S" members who support right-wing parties than those who sympathize with the left wing. However, a basis for integration are tasks, not people.

The most important tasks of the union are the following: public enfranchisement, family-oriented changes in the tax law, and reform of the social and health insurance system. These goals can be achieved quickly, first of all, if the political and economic system of the country. Hence the constitutional campaign, which was a success—more than 1.5 million signatures were collected in support of the civil draft constitution. Some of the union's goals were included in the regulations introducing the constitution. "S" believes that many menaces to reforms in Poland may be avoided if citizens are presented with a clear vision of the country's political and economic system.

This is why we are trying to persuade as many groups as possible to reject in the referendum the draft constitution prepared by the National Assembly. Today it can be seen quite clearly that what is being prepared by the Constitutional Committee of the National Assembly will be unacceptable to a large number of Poles, because

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there will not be any reference to the tradition of Polish statehood and because accounts with the PRL period will not be unequivocally settled.

Too Early To Appoint a Candidate

Marian Krzaklewski believes, and rightly so, that it is not advisable to appoint a candidate for president too quickly because this might only split rightist groupings. Those leaders of rightist parties (such as Jaroslaw Kaczynski or Aleksander Hall), who want to force such action, are acting to the detriment of the right wing. I consider it impossible to field one candidate of the so-called post-August camp. Establishment of a "Camp of the Third Republic," described by Ludwik Dorn of the Center Accord [PC], is also unrealistic, because it is obvious that PC, the ranks of which are clearly thinning, is attempting to overtake the rhetoric of UW. Now, for most rightist parties, cooperation with UW is out of the question.

I believe that the role of "S" in the upcoming events is difficult to predict. The union remains the only real force capable of resisting recommunization of the country. It is also the only force that is able to verify the present authorities and carry out public enfranchisement, which are of fundamental importance to the development of capitalism and democracy in Poland. All this does not mean that "S" wants to be above political parties and to pursue a policy of destruction. On the contrary; it means that "S" wants stabilization, based on the foundations of a lasting socioeconomic system of the country.

Poll Shows Disapproval of Walesa's Performance

WS2703144295 Warsaw ZYCIE WARSZAWY in Polish 26 Mar 95 p 4

[Report by "NIKA": "CBOS Poll: How is the Head of State Performing in Office? Walesa and His Court"]

[FBIS Translated Text] As large a number as 56 percent of Poles claim President Walesa's performance in office is poor, while 30 percent approve of his activities.

Walesa's positive influence on the political situation at the time of the government's change is acknowledged by 19 percent. At the same time, a mere 19 percent of those polled approved of the president's influence on the political situation last month (by comparison, 29 percent claim likewise of the Sejm). Negative opinions are held by 56 percent.

According to 72 percent of those polled, Walesa lashed out at Pawlak's government to strengthen his own position. According to 18 percent, he was guided by a concern for the country. One in 10 of those polled did not have any opinion.

If someone else were president, 21 percent claim the situation in the country would be exactly the same, and according to one in 20 Poles—worse. There is a prevailing belief (45 percent) that Poland would be better off than it is now, when Lech Walesa is president.

According to 45 percent, the president's associates have a huge influence on what the head of state does. Of those polled, 26 percent claim this influence is moderate, and 14 percent—that it is very small. The more those polled are interested in politics, the stronger the belief that Walesa's associates have great influence over what he does.

Simultaneously, 34 percent of those polled claim that the president should change the majority of his associates. Forty-one percent favor a change in at least some people from Walesa's closest circle of advisers. Only 7 percent of those polled did not see such a need.

The analysis, conducted by the Public Opinion Research Center [CBOS], shows that trust in the president depends on the general opinion of his performance in office. Opinions on the president's influence on the recent political situation are of lesser importance. Opinions on the influence of the president's associates and the political attitudes of those polled have the least impact of all.

The poll was conducted by CBOS on 4-6 March on a random sample of 1,208 Poles.

Lewandowski: 1995 Privatization Miserable Picture

95EP0064A Warsaw GAZETA BANKOWA in Polish No 6, 5 Feb 95 p 21

[Article by Janusz Lewandowski, of the Institute of Research on the Market Economy and a former minister of privatization: "In the Opinion of Janusz Lewandowski"]

[FBIS Translated Text] How to paint beauty spots on the miserable picture privatization is in? There are two basic ways: First, the statistics would look better if we were to include the 244 commercialized enterprises. Actually, however, the ownership of these enterprises remains unchanged.

But if we exclude these companies from the 1994 balance sheet we shall see the sad truth. Only 36 were privatized through outright sale, and an additional 132 were privatized through liquidation (now termed indirect privatization). Altogether, 168 enterprises. That is all. In 1993, 248 were privatized (48 through capital privatization and 200 through indirect privatization), despite the fierce campaign against the Ministry of Privatization, and even though the last quarter of that year was wasted owing to the change in government (the electoral win of the postcommunists). Summing up: Instead of a desirable and realistic acceleration of ownership changes in Poland in 1994 we witnessed their slowdown by precisely one-third.

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Another way of obscuring the real picture of privatization is the publicity given to the attendant budgetary receipts. Especially if inflation is disregarded, which fools many journalists. The fact is that in 1994 such receipts totaled 8.7 trillion old zlotys compared with 6 trillion in 1993, in comparable prices. Except that these budget revenues are a red herring. If they were a reliable indicator then we would think that privatization made no progress in Germany (where the attendant revenues are in the red) and in the Czech Republic and Russia (voucher systems). This is arrant nonsense. Actually those countries made tremendous strides in 1994. They view privatization as a systemic investment and not as a source of budgetary receipts. And they are right. Poland, with its fiscal obsession, has remained far behind.

The poor picture of privatization in 1994, along with the declining number of individual projects, is due primarily to reprehensible slackness in introducing the mass privatization program. In the previous years that program had been fiercely contested by the opposition, although fortunately, at a critical moment during the Sejm debates, in April 1993, a segment of the SLD [Democratic Left Alliance] changed its opinion. The present delay is to be blamed on the government, and especially on the negative attitude of Prime Minister Pawlak. This has greatly handicapped Poland's image in the eyes of the world. There is no other way than that of political decision-making of actually promoting ownership changes in this country. As for the SRP [stabilization, restructuring, privatization] restructuring program, it has shrunk to such dimensions that it will not play a decisive role.

Our neighbors—Germany, Russia, and the Czech Republic—have, after their arduous efforts in 1994, already reached the critical mass so far as privatization is concerned. In Poland, propaganda, a favorite weapon of the Communists, is trying to obscure the miserable scale of privatization. But figures do not lie. Instead of their desirable acceleration, institutional reforms have become bogged down. The scale of annual privatization has shrunk to 168 projects, with as many as 5,000 companies still remaining state-owned. We are lagging.

Comments on Economy

95EP0066B Warsaw GAZETA BANKOWA in Polish No 9, 26 Feb 95 p 21

[Article by Janusz Lewandowski, former minister of privatization, summarizing the article: "A Catalogue of Burdens and Setbacks—1995 Will Be a Year of Politics Rather Than the Economy"]

[FBIS Translated Text] The beginning of the year prompts us to note a weakness in trends which has lasted since November. If this were to be more than a seasonal phenomenon projections of economic growth made to date should be revised downward.

However, for now I assume that both generators of economic recovery (the export potential and the growth of domestic demand) will be present in 1995. Our economy switched to Western markets with astounding efficiency in 1990-92 and found a niche at a good time of favorable trends in industrially developed countries. Export proceeds grew in 1994 by as much as 24.8 percent reaching U.S. $16.9 billion while imports increased by 12.8 percent.

A 3-percent growth of the gross domestic product in OECD countries which is projected in unison and a 5-percent increment in the volume of trade this year provide a good opportunity for our exports, especially given that we live in an era of lowering customs barriers. Unlike in the assumptions of the government, experts of the Institute of Market Economy Research see more dynamic imports in conjunction with a reduction in our customs duties and the "intake" by our growing economy. Our lesser optimism with regard to exports takes into account the demand in the West for high-quality manufactured products which the Polish economy does not produce yet in sufficient quantity.

Few people subscribe to official optimism reflected in the promise to reduce inflation to the level of 16.9 percent. The growth of prices in January 1995 by 3.9 percent, the volatile market of foodstuffs, and a promise to fight "dishonest wholesalers" as the backbone of the government inflation control package—all of this does not inspire optimism.

The economic momentum over which many countries of Central and Eastern Europe may envy Poland has not been given to us once and for all. It does not entitle us to be complacent and to rest on our laurels.

There are reasons to be concerned about the continuation of economic recovery. In 1994, the liberal canons of economic policy which constituted the foundation for reviving our economy (freedom to begin economic activities, free markets and competition, hard financial constraints on enterprises, and ownership changes) were loosened. The current policy amounts to a layer cake of macroeconomic responsibility, election posturing, and plain opportunism.

Instead of a search for new growth factors, factors which do not favor sustained development will surface in 1995:

—the growing extent of the redistribution of funds by the budget which, along with so-called rigid expenditures, means primarily the expansion of subsidies and guarantees which ossify old arrangements;

—the continuation of increased tax thresholds which, along with ZUS [Social Security Agency] withholdings (extended to include contracts of commission) and the loss of control over wages in the public sector, pushes up costs, impairs the competitiveness of the Polish economy, and encourages flight into the shadow economy;

—decreasing inflows of foreign capital (1992—U.S. $1.409 billion; 1993—U.S. $1.632 billion, 1994—U.S.

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$1.280 billion) in the form of both direct and portfolio investments which in view of small domestic savings hampers the modernization of the economy;

—toleration of tax and payment arrears of large state enterprises which discourages in-plant streamlining and forms the habit of financing pay raises at the expense of Polish taxpayers;

—monopoly practices that are associated with mounting protections of the domestic market, generally widening the segment of the economy which is "vulnerable" to the unavoidable liberalization of trade transactions with the European Union;

—the growing cost of servicing the public debt which, given the underdevelopment of the financial market, brings about the creation of additional currency and, by drawing the banking system into servicing the debt, diminishes the availability of credit to the economy.

These trends are not easy to reverse. The government coalition, buckling under the weight of the election promises it made and of old habits, yields to pressure and avoids difficult decisions which is due to its very nature. This is why I do not believe that the Polish economy will experience a new development impetus in 1995. Such an impetus which is necessary to sustain growth in subsequent years, and even to increase its rate to 7-8 percent would involve a return to the consistent canons of economic policy and institutional reforms. Meanwhile, promises of institutional measures for the year 1995 are rather clouded. The main structural quandaries are as follows:

Restructuring of the economic center—promises which have been made for a long time now are accompanied by unceasing debates about fundamentals rather than details. Will this be the evolutionary concept of the minister of the treasury providing for a period of adjustment which is compatible with privatization, or the concept of a new supergovernment which matches the concept of freezing the state's empire in a commercialized form? We should also know whether any merging of offices at all is politically practicable to begin with. A change in government provides the only, unique occasion to do so.

Privatization—instead of the desired acceleration, we encountered its deceleration in 1994 (one-third fewer projects) which was shielded for propaganda purposes by good proceeds for the budget. This fiscal point of view will continue to prevail in 1995. Privatization techniques will not be updated. A lack of ideas is replacing the concept of partial privatization (by increasing capital and converting debt into shares) which will produce composite state-private arrangements but will rather not produce a new quality in the operation of enterprises;

The NFI [National Investment Fund] Program should finally be implemented in 1995. This will be a turnaround point for the Polish capital market. However, the program is in danger for three reasons: its listless performance, micromanagement by the state and the truncated stock of property (80 trillion zlotys in book value instead of 150 trillion planned in 1991, which includes many enterprises in poor condition);

Restructuring—1995 promises to be a year of further delays in restructuring important sectors such as mining and power generation, heavy chemical industry, and oil (lobbying groups are bringing pressure to bear on 1992-93 projects) and the banking system (the slow privatization delays the necessary consolidation from below in the banking sector). This worsens the competitiveness of these sectors year and after year and increases the cost of adjusting to the requirements of the European Union;

Social insurance—this is a credibility test for "Strategy for Poland," being the only specific promise amid generalities and the most urgent step which PSL-SLD [Polish Peasant Party-Democratic Left Alliance] governments should take to transcend the reform accomplishments of their predecessors. Unfortunately, 1994 represented a step back from this point of view: A raise in the lowest retirement benefits and annuities, an increased indexation factor, and new sectoral privileges (for miners) have resulted in a less advantageous point of departure for this necessary reform;

Sector financed from the budget—it appears that haggling over wages with physicians and teachers fits the style of the government coalition better then a reform of health care and education.

Setbacks in transformations cost Poland very dearly because of the tight calendar for association with the European Union. Such setbacks are striking in view of the comfortable position of both ruling parties. First of all, there is a sufficient margin of votes in the parliament and thus leeway for maneuvering. Second, opposition in the form of the Freedom Union does not hamper, and on the contrary is an ally in undertaking rational reforms. Third, those who govern today do not have to grapple with dramatic strains in the budget which plagued governments in the years 1991-92. Fourth, the external environment is favorable and a far cry from the initial period of reforms with a worldwide recession, the Persian Gulf conflict, and consequences of the breakup of the Council for Economic Mutual Assistance.

According to the likeliest scenario, the fortunate condition of the Polish economy in 1995 will not be matched by a consistent economic policy and bold structural reforms. This may mean the deterioration of trends rather than drawing on additional growth factors. At present, political conditions are unknown, but it is possible to predict that election campaigns (presidential or parliamentary) will not contribute to a sober judgment of reality and rational management of the economy.

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OECD Report on Economic Performance Reviewed

95EP0063A Warsaw GAZETA BANKOWA in Polish No 6, 5 Feb 95 p 21

[Article by Maria Dunin-Wasowicz: "Obscure Intentions: The Sociopolitical Situation Now Is More Difficult Than It Was When the Reforms Were Initiated"]

[FBIS Translated Text] The recently published second OECD report on the Polish economy has arrived at the right time. The recollection of the great success achieved by the shock-therapy measures may be of educational value to the present administration.

It can now be seen clearly that what had seemed in 1989 to be a golden dream of prosperity can become reality five years later. An economy devastated by socialism has begun to bear healthy fruit, inflation has been markedly restricted, and many state enterprises started to try operating in market conditions. We owe this metamorphosis to the restoration of legal private ownership. Within a short period of time so many persons availed themselves of it that by the end of 1993 the private sector became one of the principal prime movers of the economy, accounting for nearly one-half of total output and employment. The social cost of these changes have not been as high as had been thought at the outset of the reform.

Under the Sign of Economic Recovery

The Polish economy has begun to grow steadily since mid-1992. It was then that the Main Statistical Administration had for the first time recorded an increase in industrial output, by 2.6 percent, and a year later by 3.5 percent. The combined increase in the GDP over those two years amounted to 6.5 percent.

From the vantage point of time it can be seen that the Polish economy has demonstrated an astounding flexibility in its response to the transition to democracy, stabilization, and loss of CEMA markets.

But what mattered most was not the economic revival but the onset of rationalization of the economy. Capital began to part from heavy industry and flow to the light industry, communications, and trade. The growth in investments was due to, among other factors, the rising imports, which initially were intended to "compensate" for the lag in consumption. Contrary to the opinion of the defenders of "national values," consumer goods accounted only for a little more than 20 percent of the overall value of imports. More than 60 percent of the goods bought abroad consisted of semifinished products (e.g., energy carriers) whose appearance in the Polish economy markedly contributed to improvements in its competitiveness and productivity. Likewise, exports, following their sharp decline in mid-1992, began to rise again by the end of the second half of 1993. The influx of foreign capital deriving from cross-border trade, that is, from as yet unregisterable exports, proved to be fairly substantial. Such is one aspect of an economy undergoing a transformation: "Unofficial" cash income is serving to stabilize the "official" foreign exchange reserves of the National Bank of Poland.

Although economic growth is an unquestionable fact, analysts observing the Polish phenomenon are facing continually new questions. One such question is linked to the social cost of the reform. The OECD thus judges that those losing most from the transition are worker-peasants, and those gaining most from it are independents, pensioners, and workers who have remained in the industries with traditionally high wages (miners). However, this judgment concerning worker-peasants can be readily questioned considering that the number of motor vehicles per 100 worker-peasant households has risen from 35.1 to 53.4.

However unpopular this may sound, the higher incomes of those benefiting from the above transition in the years 1992-93 outpaced, though not by much, the growth rate of the GDP. Statistics also indicate that spending by pensioners, whose average income amounted to 70 percent of the average wage, amounted to 115 percent compared with spending by all households as a whole.

Investments and Discipline

Investments were and remain a problem to analysts. Following their marked decline in the first years of the reform, in 1992 they reached 21 percent of the GDP, rising by 2.1 percent above 1991. In 1993 they rose again, by 2.9 percent.

The growth in investments (about 15 percent) has chiefly been due to small and medium-sized private companies, whereas in the sector of state enterprises investments declined by 8 percent. But have these proportions indeed been so unfavorable for state companies? It is not out of the question that some state companies preferred not to show off their good side. They may have marked off their profits as expenses so as to save on taxes, which in its turn clearly hurt the state budget. Investments have usually been financed from the paid-in capital of the enterprises, which tried to avoid borrowing and adhere to financial discipline. But as for mines, shipyards, and the steel industry, these still are not adhering to that discipline.

A Fragile Boom

The recovery in 1992-93 remained evident throughout 1994 as well, as noted by the OECD too. The growth of the GDP, estimated at about 5 percent at present, was one of the highest among the countries of Central Europe. Output sales increased by 13 percent, and that not only for heavy industry but also for the industries producing durable consumer goods and foods. This pace of growth, the highest in many years, has been due to the boom in exports and the growth in investments.

Dreams of growth would have to be given up were it not for the private sector, which now for yet another year in

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a row, is acting like a locomotive pulling the entire economy. Its sales increased, while those of the public sector declined. Productivity at private companies soared by 20 percent, whereas at state companies, while also higher, it increased by only 10 percent. However, private companies succeeded in combining a rise in productivity with a rise in employment, whereas at state companies there have been layoffs.

But investments also are a problem. Thus while in the preceding years the companies "concealed" them by including them in costs, last years they had to be reduced for that reason, in order for the final balance sheet to tally. The pleasant picture of the Polish boom in 1994 is moreover complemented by the halt in the rise of employment and the low budget deficit. On the other hand, inflation is still worrisome—its rate is the most important indicator of the fragility of the Polish boom.

The perils to the economy can be best assessed by citing the most glaring examples, such as the actions taken by the government last year with the object of bringing back centralized governance and limiting competition. Another clear example of the changed view of the government on the economy is the establishment of holding companies that cooperate in subsidizing each other. There is also the appearance of uncontrolled money in circulation. The government ostensibly wants to restrict protected trade but in reality it has probably augmented its protection of the domestic market. What is worse, the OECD report adds, there is a serious risk that further measures will be taken in that direction, because interest groups are getting increasingly better organized.

Furthermore, privatization is being delayed owing to the multiplicity of rubberstamps required, which has resulted in an institutional bottleneck.

The OECD is much less enthusiastic about commercialization [komercjalizacja] than the Polish Government, as it has too often failed result in improved management. Another problem is the growing redistributive role of the state budget and the snail's pace at which privatization is proceeding. The former means a senseless postponement of reforms of the pension system and the latter only adds to the uncertainty felt by domestic enterprises and foreign investors, and as a result it provides an incentive for actions inconsonant with the logic of financial discipline.

This feeling of uncertainty is strengthened by the absence of a political consensus as to the purpose of the operations of enterprises, regardless of their ownership. In any market economy that purpose is to earn a profit. Only the adoption of this assumption by the government will make it possible to pursue a coherent economic policy on enterprises.

Two Paths

Poland has found itself at a spot from which it is possible to go forward on condition that the government demonstrates sufficient political determination. At the same time, the effects of the hard work already accomplished might be easily forfeited under the pressure of the public, which demands improvements in the quality of life. The fear that the present ministerial cabinet will choose that second path, though it speaks of favoring the first path, is warranted.

The OECD report states that such institutional reforms as the liberalization of prices and of trade as well as the freedom of private enterprise were introduced rapidly only in the years 1990-91. Afterward, and ever since, a political center that would initiate and supervise further changes has been absent.

NOTE: All the statistics above are taken from the OECD report.

Russia Refuses Market Entry to Country's Banks

95EP0064B Warsaw GAZETA BANKOWA in Polish No 6, 5 Feb 95 p 7

[Article by Pawel Jablonski: "They Do Not Want Foreigners: There Shall Be No Polish Bank Branches in Russia"]

[FBIS Translated Text] It can be estimated that last year our trade with the countries of the former USSR totaled about $3 billion.

It is not surprising that several Polish banks, viewing the servicing of trade with the East as important, decided to operate directly in the countries of the former USSR. At least two Polish banks tried to establish a branch in Russia, and the Lublin BDK is establishing a branch in Ukraine. Compared with Western banks we are capital-poor and technologically behind. But to the banks from the countries of the former USSR we are the West—we have better banking technologies, which enables us to compete with them on their own territory. Everything indicates that this is the opinion of Russia's central bank, which has decided, as happened earlier in Poland, to protect its market more intensively.

As early as last year one of our banks attempting to establish a branch in Russia received a list from that country's central bank stipulating the terms for approving the opening of the branch (capital $5 million, plus a required Moody's or Standard and Poor's rating of AA Prime 1, along with a stainless reputation, etc.). Then early this year Poland's Bank Handlowy, which has for several years been applying for permission to open a branch in Moscow, was informed by the Russian central bank that, owing to the absence of legal possibilities for the banking supervision of operations of branches of foreign banks, permits for their opening will not be issued. In Russia, as in the West, branches of foreign banks are subject to supervision by banking authorities from their mother countries.

At the same time, early in January the Russian parliament began to consider a draft law on banks and banking

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operations in the Russian Federation. That draft presupposes limiting to a level of 12 percent the share of foreign capital in the Federation's banking system. Any time this limit is exceeded, permits for joint banking ventures are automatically suspended. Any Russian bank has to apply for permission to sell its stock to foreign corporations. Such permission would also be required in the event of resale of bank stock by Russian stockholders to a foreign investor. The draft law also proposes to vest in the Bank of Russia the right to enjoin a joint bank venture from engaging in transactions with local companies (or residents) in the event that the mother country does not consent to similar transactions by Russian banks. The foreign-bank branches and banks in which more than 30 percent of stock is owned by foreign capital and which have not engaged in transactions with Russian clients (residents) until 1 January 1995 cannot commence such transactions before 1 January 1996 or even, according to other proposals, before 1 January 1999. The third reading of that draft law is to be held on 10 February.

Constitutional Tribunal Rules on Bank Issue

95EP0066A Warsaw GAZETA BANKOWA in Polish No 9, 26 Feb 95 p 15

[Article by Maciej Urbaniak: "The Go-Slow Tribunal. Bank Privileges Will Continue for Now"]

[FBIS Translated Text] The Constitutional Tribunal spent a year and a half thinking before it tried to review a motion of the civil rights ombudsman questioning the constitutionality of a 1993 amendment to the banking law.

Among other things, by virtue of the amendment all banks were granted the right to issue bank writs of execution. The Constitutional Tribunal took advantage of the first plausible pretext in order to refrain from ruling on the matter (it was postponed indefinitely). Does this record-breaking sluggishness mean that the tribunal does not want to rule, or that it is not able to?

In March 1993, the Sejm extended the banks' distraint privileges (and a few other, less substantial privileges) to all banks. The Sejm did so in the name of a level playing field because previously only the banks which existed on 14 February 1989, i.e. the date the current banking law took effect, had enjoyed this privilege. Such a lack of equality had been justified by the privileged banks also being covered by state guarantees.

A Few Words Have Been Deleted

The criteria that a bank covered by guarantees was supposed to meet were set forth in Article 49 of the banking law. Let us recall (because it has turned out to be significant) that the amendment involved the deletion of the words "referred to in Article 49" from the wording of Articles 52 and 53 of the banking law (which granted the privilege). Therefore, what remained was: Banks (all of them!) are entitled...to this and that.

As early as August 1993, the civil rights ombudsman found the expansion of the community of privileged banks to be unconstitutional. However, he did not question the existence of the privileges, accepting that they amount, in a way, to a supplement to state guarantees which is advantageous for individual clients. Therefore, he sought the restoration of the preamendment status.

The tribunal "went to sleep on the file" (this is what they say in courts when a judge does not want to schedule a particular case). The tribunal sought findings from Professor Grzegorz Zedler. I have not read the findings (they are buried in the files). However, we know from leaks that they amount to a crushing criticism of banking privileges as being contrary to the principle of equality before the law and the right of a citizen to a trial, and consequently to the principle of a democratic state of law.

On 14 December 1994, the Sejm passed the law on the Bank Guarantee Fund amending Article 49 of the banking law yet again on this occasion. The restoration of the pre-March 1993 situation became impossible then, and the civil rights ombudsman was forced to modify his motion. He did so by questioning privileges in their entirety, but then as late as the proceedings.

The tribunal has an opportunity to issue rulings beyond what is sought in the motion. One and a half years is a long enough time to make up one's mind concerning the constitutionality (or unconstitutionality) of the banks' privileges. However, the Constitutional Tribunal postponed the case without determining the next date. Will it manage to beat the passage of a new banking law?

Abuse

Meanwhile, the subject is important because I have recently encountered in a court a case of altogether exceptional abuse of the banks' distraint privilege. I have reasons to believe that this was not an isolated case.

This is how it was. "X" was "Y's" creditor. However, he did not want to invest either money or time in troublesome and protracted court proceedings. He therefore signed a contract with a bank by virtue of which he assigned his debt to the bank. Yet, the contract was signed on a contingency basis: If the debt were to be "disputed" (if the debtor were to bring a suit challenging distraint), a so-called reverse cession would occur.

The bank entered the debt on its books and proceeded to issue the bank writ of execution. The debtor challenged the writ (brought a suit). Therefore, the bank, in accordance with the contract, transferred the debt to the original creditor, i.e. "X." However, the sheriff's officer carrying out the seizure (not yet suspended by the court) under a bank writ of execution, but for the benefit of a nonbank entity was not notified of this.

Without a doubt the spread of this way of interpreting the law will put judges of economic courts out of business. There will no longer be a need for them because

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banks will suffice instead of courts; many debtors simply cannot afford to pay the costs of suits to challenge distraint (a complete filing).

Bank President Sees Warning in Mexican Crisis

95EP0066C Warsaw GAZETA BANKOWA in Polish No 9, 26 Feb 95 p 21

[Article by Wojciech Kostrzewa, chairman of the Polish Development Bank: "In the Opinion of Wojciech Kostrzewa, 'Poland Should Learn a Lesson From the Mexican Crisis'"]

[FBIS Translated Text] In view of the offer of the Polish Development Bank public stock and the beginning of its trading on the exchange, I have naturally been paying more attention lately to foreign analyses of the attractiveness of Poland for portfolio investors. It appears to me that now Poland has an opportunity to take advantage of the situation that has emerged as a result of the Mexican crisis. Since mid-December international financial markets have borne the imprint of this crisis, which was caused by a real danger of the Government of Mexico failing to service short-term debt instruments denominated in U.S. dollars. The main dangers have been averted as a result of actions by the IMF and the U.S. Government; nonetheless, countries such as Poland should learn a few lessons from it.

First, the dangers have been brought into focus of financing the budget deficit with short-term instruments denominated in foreign exchange in a country in which guarantees of macroeconomic discipline do not exist. Second, maintaining an administratively regulated exchange rate over an excessive period of time necessitates the devaluation of the national currency if symptoms of disequilibrium occur. In turn, this causes the market to overreact, bringing on a crisis. Third, states whose development hinges on the inflow of foreign capital should be more appreciative of direct foreign investment rather than short-term capital the attitude of which is naturally speculative.

For now, there is no Mexico-type threat over us. The Polish Government does not attempt to finance the deficit with short-term instruments denominated in foreign exchange, announcing instead the issue of medium-term Eurobonds (a quite modest issue at that). Besides, recent changes in our foreign exchange law establish a foundation for the introduction of a floating exchange rate. There is hope that this will occur as soon as possible, in part under the influence of the Mexican experience. At the same time, a lot more can be done to promote direct foreign investment in Poland.

My pointing out of the advantages of such investment does not mean that we should not care about portfolio investments. As I have mentioned, various analyses by foreign investment banks and conversations which I have had with their representatives suggest that the Mexican crisis has prompted portfolio investors to diversify risks to a greater degree than before. Against the background of new markets, the Polish capital market is now indicated to be attractive which should favor a greater optimism among Polish participants in this market, too.

Central Europe Banks Compared With Western Banks

95EP0065A Warsaw GAZETA BANKOWA in Polish No 9, 26 Feb 95 p 9

[Article by (HB): "Bankers Comment on the Future: Banks of the Countries of Central Europe Expect a Decline in Profits"]

[FBIS Translated Text] *GAZETA BANKOWA and the Polish branch of the consulting company Arthur Andersen will soon poll Polish bankers about the future of the banking sector and the securities market in Central Europe. A report prepared on the basis of the responses will be presented to the readers.*

* * *

Their different operating conditions cause the banks of Central Europe to view the future of the banking sector somewhat differently than do similar institutions in Europe "Proper."

According to a report prepared by the Arthur Andersen and Andersen Consulting companies, banks in the Czech Republic, Poland, Slovakia, and Hungary expect to grow rapidly and intend to accomplish this by expanding their network of branches and augmenting their services. They are expecting a growth in the demand for, properly speaking, all kinds of financial services—except for the derivatives market, which in this region practically does not exist yet or exists only in a rudimentary stage.

Central European banks attach more attention than do their counterparts elsewhere on the continent to the introduction of nationwide legal regulations. This is because so far such regulations did not exist, and in a situation in which those banks are just beginning to operate, and under rapidly changing circumstances at that, regulations criticized elsewhere are proving suitable. Moreover, the Central European financial institutions expect the next few years to be a period of substantial outlays on computer equipment and technology in general—outlays that have already been made by the banks in the western part of the continent.

Hopes Placed in Privatization

The surveys on which the abovementioned report was based indicate that the principal cause of changes in the banking sector of the Central European countries has been the institutional changes. For this reason, the respondents believe that in the next five to seven years

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both the general condition of the economy and the condition of the banks will hinge primarily on the pace and scope of privatization.

The banks in this region believe that the demand of privatized enterprises for their services will be much greater and more varied than previously. This concerns, among other things, the adoption of various forms of loan surety which are generally used in the West but properly speaking unknown in the former communist countries. The Central European banks also count on privatization for another reason: The enterprises released for privatization are often provided with debt relief by the state, which enables lenders to delete some of the liabilities from the balance sheets.

Optimism and Pessimism

To the Polish reader of the report the most interesting part seems to be what the bankers and participants in the capital market in our region of Europe are thinking of the future. In general, they believe that the coming years will be a period of reductions in interest rates, unification of banking fees, and the provision of a broader range of banking services along with improvements in the quality of these services. They do not anticipate, however, any large-scale growth of electronic services or the rise of home banking. According to the report's authors, the questionnaires answered by some 15 or so Central European banks indicate that in general they are focusing on operations in the market segment characterized by a high turnover and a relatively low unit rate of profits. It appears to be due to their limited inclination to risk-taking.

Generally speaking, Central European bankers are rather skeptical as regards the extent of future profits (38 percent of the respondents expect a decline in profits, compared with only 4 percent in West Europe), although they believe that, owing to considerable demand, most banking operations should be profitable. Their skepticism as to the profit level ensues from the legacy of bad credit, the need for a substantial investments in the infrastructure and technology development, and the awareness that already in the near future they will encounter much sharper competition than in the past.

Domestic Competitors

That is because Central European bankers expect an increase in the number of small banks, which they view as their principal competitors. Unlike Western banks, they do not anticipate any large-scale bank consolidations. In addition, banks in the Czech Republic, Poland, Slovakia, and Hungary expect to face the threat of well-known Western institutions spreading to Central European countries, especially those which buy up or take over domestic banks. However, while to West European banks the threat of competition from nonbank institutions matters considerably, in Central Europe this is not viewed as a major threat, chiefly because no such institutions have yet appeared in the region.

Thus, Central European banks have relatively little fear of competition from Western financial giants, as reflected in the opinions expressed by local banks. And while most Western banks and financial institutions believe that their operating strategy should extend to Central Europe, they do not anticipate making a major credit commitment to enterprises in this region. They believe that aid in financing the reforms should be the domain of such organizations as the IMF or the EBRD and view their own role as that of chiefly providing various kinds of services, such as consultantcy on privatization, expertises on banking and the capital market, and the organization of mergers and takeovers.

Ministry Proposes Changes in Draft Bank Law

95EP0067A Warsaw GAZETA BANKOWA in Polish No 8, 19 Feb 95 p 7

[Article by (PJ): "To Agree Upon or To Recommend? The Ministry of Finance Is Proposing Changes in Draft Bank Law"]

[FBIS Translated Text] Early in January (GAZETA BANKOWA, No 2, 1995) we published a new draft of the banking law, prepared by the National Bank of Poland [NBP]. Recently the Ministry of Finance offered comments on that draft, which will probably revive the "discussion" between these two institutions. The principal proposed change concerns new forms of bank consolidation.

The draft bank law prepared by the central bank allows two specific methods of bank consolidation: the mutual association of banks into groups (which is feasible at present as well) and the formation of bank capital groups with one (dominant, or parent) bank controlling one or more other banks. The Ministry of Finance is proposing to term that second form a bank group and to reserve the appellation "bank capital group" for organisms consisting of a joint stock company which is not a bank and at least two banks. Such a group would be controlled precisely by the joint stock company which is not a bank. The Ministry believes that in both cases it does not have to be a "two-level" organism (the dominant or parent unit and the subsidiary units). "Elongated" capital structures such as a subsidiary bank that itself is the parent bank vis a vis one or several other banks also are possible.

The NBP's draft, which is faithful to the philosophy of protecting domestic institutions against foreign control, restricts the possibility of creating bank groups to domestic banks alone. The Ministry of Finance does not include such a restriction.

The minister of finance is proposing to incorporate in the bank law a provision enabling him to merge the banks of joint stock Treasury companies or to augment their capital by contributing shares in some banks to others. The minister (exercising the rights of an owner) would also then be able to contribute bank shares to

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another corporation with which these banks would form a bank capital group. Such contributions of shares belonging to the Treasury would not, however, require selling a part of such shares to employees at preferential prices—that would be possible only after the entire group is privatized, and even then they would be able to buy only shares in the parent company, not in the subsidiaries. As can be seen, the ministry intends to use this law to resolve the legal problem that are effectively impeding at present the consolidation of Treasury-owned banks.

The Ministry of Finance would also like the bank law to permit waivers of bank confidentiality on demand by Treasury agencies. The NBP's draft presupposes that such waivers may apply on demand by, among others, the chief auditor of the Treasury in connection with criminal or criminal-Treasury proceedings underway. But the Ministry of Finance also would like the banks to provide access to information on their customer to Treasury auditors even then when no legal proceedings are underway and the point is merely to check the accuracy of tax returns.

The ministry is totally in disagreement with the NBP-proposed solutions concerning the management of commercial banks. It does not consider it acceptable for the NBP chairman to approve the appointments of chairmen of these banks. The Ministry believes that the draft law should define the basic qualifications required for such appointments and the NBP chairman should, as at present, merely comment on the candidates for such posts.

Traditionally, both sides of Swietokrzyska Street (the NBP being located on one side and the Ministry of Finance on the other) have differed about the scope of their powers. The Ministry has repeatedly proposed replacing the locution "...with the agreement of the NBP chairman" with "upon consulting the opinion of the NBP chairman," and of course replacing the locution "upon consulting the opinion of the minister of finance" with "with the agreement of the minister of finance." The Ministry would also assure a special status for certain banks under its control. This concerns the Bank Gospodarstwa Krajowego (in which second-category funds markedly exceed one-half of the value of first-category funds) and the Bank of Food Industry, which has no chances of attaining a minimum indicator of solvency by the end of the next year.

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Izetbegovic Lays Down 'Minimum' Demands, Aims

AU2703202895 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1725 GMT 27 Mar 95

["Excerpt" from the report by Bosnia-Herzegovina President Alija Izetbegovic to the Steering Committee of the Party of Democratic Action in Sarajevo on 27 March—recorded; all numbering of points as heard]

[FBIS Translated Text] My task is to present an opening report on the current military, political, and economic situation in Bosnia-Herzegovina, and thus the general situation in Bosnia-Herzegovina. The current situation with Bosnia-Herzegovina is marked by a diplomatic offensive and our military counteroffensive. We have been successful in both the political, diplomatic offensive and the military counteroffensive, as you know. These are the two things that are bound to mark the future course of events. This month we can expect an initiative, or rather a more intense approach, by the foreign factors on Bosnia-Herzegovina. In just over 30 days, the cease-fire here will expire, and April is bound to be filled with visits, and also pressures. We have to know how to respond.

We are often criticized that our people on the ground do not get clear enough views from us, views in writing, defined views on various issues. Our aim remains a unified and democratic Bosnia-Herzegovina. A federal organization is possible and desirable, but only as a federation of cantons and not ethnic territories, as the latter would only lead to more ethnic cleansing. This is number one.

Two, our aim is a democratic state, a multiethnic and multiparty state. This commitment gives our political model a great advantage against the obviously retrograde monoethnic, monoreligious, and one-party concept of Karadzic's Serbian Democratic Party and Boban's Croatian Defense Council [as heard]. Our democratic concept is the condition for our political and military victory in this war. Without this concept there would be no unified Bosnia.

Three, the demands that we respond to the enemy tit-for-tat, as our people say, are unacceptable. Why? The first reason, and the difference is of (?a principled nature), is because we are democrats and they are fascists. The second difference is that they want to partition Bosnia and seek part of the partitioned Bosnia for themselves. We want a unified Bosnian within its internationally recognized borders. Such a Bosnia is only possible as a democratic state. Political exclusivity and radicalism have a [word indistinct] and, were we to pursue such a policy, then that would represent the reduction of our political aim from a unified Bosnia to just one part of it. If we want just a part of Bosnia, then we can pursue such a radical policy. If, however, we want a unified Bosnia, as we have been demanding, then we can only pursue this policy. We cannot have our aim and their political philosophy. Therefore, we cannot reason along the following lines: They are demolishing mosques, so we will demolish their churches. They are expelling our people, so we will expel theirs. After all, we are a state, they are a parastate. We have an army, they have a paramilitary. That is the difference [word indistinct].

When it comes to war and peace, we will continue to stick to our motto: Negotiate whenever we can; fight where we must. We must not miss a single chance for peace. The war must not go on for a single day longer than necessary. We owe this to our people, who have suffered incredibly. We have to nurture true patriotism since there is another kind—false patriotism. True patriotism implies that one sacrifices oneself.

Five, the tragedy that has taken place was not (?inevitable). It is a lie to say that ethnic hatred caused the war on the territory of the former Yugoslavia. The truth is quite the opposite. It is the war that has created the hatred. When one makes a decision, it is always important to assess realistically the strength and potential [word indistinct]. If we are talking about the military side, it is different if we have only Karadzic's forces against us than if we have against us Karadzic's forces and Serbia, or if we have against us Karadzic's forces, Serbia, and Russia. These are the three possible options.

The last one, of course, would be the least favorable. However, none is ruled out and they are all intertwined. The war started as an attack by Serbia on Bosnia. In the second year of the war, Serbia was joined by the army of the Bosnian Serbs as an organized force. In the third year, Karadzic's army took on the main burden of the war, but with abundant help from Serbia. At the moment Serbia is trying to get out of the war owing to its political and economic problems.

Seven, in connection with the previous point, one has to keep in mind the reports that Milosevic has probably severed his relations with the political leadership of the Bosnian Serbs, that is, with Karadzic, but not with the military structure of the Bosnian Serbs. Milosevic might be abandoning Karadzic, but that does not necessarily imply that he is also giving up the idea of a Greater Serbia. The two need not be connected. One should be careful and make a distinction between the two—giving up Karadzic and giving up a Greater Serbia.

Eight, it is a view generally held, particularly by foreign observers, that Karadzic's Serbs have no option but to try to use military force to intimidate Western governments and that military operations are the only response to the situation in which they find themselves. We have to count on this and take the risk into account.

Nine, we are not asking the international community or its institutions to pass new resolutions. We ask that the existing resolutions be strictly applied. One, they have established the no-fly zone and are implementing it. This is a big thing. Two, they have established and maintained to a large degree the exclusion zone around

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Sarajevo. The presence of the UNPROFOR [UN Protection Force] has to a large degree neutralized the activities of the aggressor on Srebrenica and Zepa. They are also keeping Sarajevo airport open. They are providing significant amounts of food and almost all the required amounts of medical supplies.

Ten, we will not accept an extension of the cease-fire since the extension of the cease-fire legitimizes the occupation of the country. Of course, we will accept it if the Serbian side in the meantime in April accepts the Contact Group plan or another political solution offered that is acceptable to us.

Eleven, we cannot be asked to accept a permanent occupation of 70 percent of the territory. Look at what is happening: The Serbs that make up 30 percent, or rather 31 percent, of the population hold 70 percent of the territory. The rest of us, who make up 70 percent of the population, get 30 percent of the territory. The ratio is completely reciprocal. We cannot be asked to accept our people remaining in refugee camps throughout the world. That would be the direct consequence of accepting this occupation.

Twelve, if the West wants peace in the Balkans, we wish it luck, but it cannot do so at our expense. That is why the following is necessary as the minimum: We are asking for two things. The Bosnian Serbs have to accept the Contact Group plan and Milosevic has to recognize Bosnia-Herzegovina. These are the minimum conditions if they want negotiations on peace to continue here. If the international community, for whatever reason, fails to convince Karadzic's Serbs and Milosevic on these points, we will demand from all our friends in the world to help us achieve our right to self-defense, in which the lifting of the arms embargo is the most important measure. As for the embargo, the arms embargo against Bosnia-Herzegovina is legally and politically indefensible and untenable, legally since it runs contrary to the right to self-defense as a natural right, as explicitly recognized by Article 51 of the UN Charter. In practice it cannot be justified as it maintains the existing imbalance of forces, which prolongs the war. The embargo is also immoral, as it benefits the attacker and penalizes the attacked. These are the three arguments against the embargo.

When it comes to the sanctions against Serbia, one should make a distinction between lifting and suspending them. Some do not see the difference, so I shall explain it here. The difference is significant: Sanctions that are lifted can be reimposed only by the Security Council, while suspended sanctions can again be introduced by a sanctions' committee, which is simple. This is the reason Milosevic is insisting on the lifting of the sanctions, not their suspension.

Nineteen, confederal ties between the so-called Serbian entity in Bosnia-Herzegovina and Serbia are unacceptable. They are also legally impossible. A confederation is possible only between two sovereign states. Certain special ties between the Bosnian Serbs and Serbia are possible, but only if identical ties are made between the Bosniaks in Bosnia and our fellow countrymen in Sandzak. Also there will be no future negotiations with the Serbian side on the cease-fire agreement—these are the two agreements signed just before New Year, if you remember—until they halt their attacks on Bihac and open the blue routes, that is, until they start observing what has already been agreed.

Twenty-four, we have to include women in [word indistinct] activities. We have to educate the women. Only educated women can bring up a generation that will lead the people along the right path and rebuild Bosnia out of the ruins. An uneducated woman cannot do this.

Just one more, the twenty-fifth point: We are facing a decision to organize the territorial defense so that every man and, let me add, every woman is involved in the defense of the country.

At the end, I would only like to add that this is a very hard, a very hard, but glorious time for Bosnia. The hardships are enormous but the chances are better than ever for [words indistinct]. We believe that light will win over darkness and life over death.

Silajdzic: Peace Move 'Will Come to Nothing'

AU2803150795 Sarajevo VECERNJE NOVINE in Serbo-Croatian 20 Mar 95 p 3

["Exclusive" statement by Bosnia-Herzegovina Prime Minister Haris Silajdzic to Mensur Colakovic and Mahmut Latific in Frankfurt; date not given: "An Understanding for the Bosnian Tragedy"]

[FBIS Translated Text] *Haris Silajdzic, prime minister of the Republic and Federation of Bosnia-Herzegovina, is in Europe again after several days of official visits to Middle Eastern countries. He is now in the German city of Frankfurt. Visibly tired after strenuous travels, he was nevertheless willing to express, exclusively for VECERNJE NOVINE, his impressions of these travels.*

First I was in Copenhagen, participating in a major meeting on social development in the world, which was attended by a large number of heads of states or governments and was very important in that it marked a new era of decentralizing the world's economic power and the demands of the Third World were more clearly defined there. The basic concept of the Copenhagen meeting was that there exists no balance between the spiritual and material, that is, technological development. We are living in a time when there are more and more people on this planet and it is only logical that our demands are thereby ever greater. It is the duty of the developed to coordinate this difference with real production possibilities, that is, to distribute the world's material goods and thus reduce the gap between the rich and the poor. Our problem, to which we attracted the attention of many prominent statesmen, belongs in this context as well. The

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very fact that we participated in this meeting confirms our integrity and international recognition.

We did not limit ourselves to the Bosnian problem because I spoke on the conditions of further development in general and in this context tried to establish our place.

After Copenhagen, we traveled to Pakistan where the EKO [expansion unknown] summit of the 10 Central Asian countries was under way at the time, the equivalent of European regional summits, to which we were invited as honorary guests along with Hamid el Gabit, secretary general of the Islamic Conference Organization [ICO]. We touched upon some trading arrangements, particularly some issues on improving production in the textile industry. In the talks with top Pakistani officials, we also talked about peace processes and our situation in the wake of the Serbian rejection of all plans for the cessation of all hostilities. Mr. Farooq Ahmad Khan Leghari, president of the Islamic Republic of Pakistan, was particularly interested in obtaining food and creating food reserves for the Bosnia-Herzegovina people. This was also discussed at the meeting with Foreign Minister Sardar Asif Ahmad Ali.

We also talked about what the ICO can do in the continuation of the peace process and expressed our expectations on the situation in Bosnia and came to the conclusion that we have to present our case before a wider forum of the UN General Assembly, as we see that this peace initiative will come to nothing and that it is only maintaining a status quo. There are two strategies: our enemy's strategy of freezing the situation and, on the other hand, the strategy of the international community to confine the war to Bosnia-Herzegovina alone, so that, as they put it, it will not spread beyond that limit. We are extended between these two options, both of them unfavorable for us and still leading us to the agony of war. These two strategies complement each other, to our detriment, of course.

Beginning of Broader Cooperation With China

We have visited China for the first time since our state was recognized by this big Asian country, which has a specific path of development and can serve as a model for others. This time we particularly worked on finally establishing diplomatic relations between our states, which would be the beginning of broader cooperation at all bilateral levels, as was confirmed in our talks with Qian Qichen, deputy prime minister and minister of foreign affairs, and Kiy Shuqing, president of the National Institute for Foreign Affairs.

UNPROFOR Warns Serbs of 'Air Strikes'

BR2803142195 Paris LA TRIBUNE DESFOSSES in French 28 Mar 95 p 40

[Unattributed report: "Bosnia"]

[FBIS Translated Text] The Contact Group (comprising the United States, Russia, France, Great Britain, and Germany) on the former Yugoslavia, whose experts were gathered yesterday in London, expressed its "great concern with respect to the deteriorating situation" in Bosnia, and called on the parties to comply with the truce, which it would like to see extended beyond the end of April, as initially envisioned. In the field, fierce fighting allegedly broke out between Serb forces and the Bosnian Army in the Majevica mountain range, in Bosnia's northeastern region. UN Protection Force Spokesman Colum Murphy told Bosnia's Serbs that any attack "deliberately targeting civilians" in the safe zones "will lead to a resolute response" on the part of the United Nations, "including air strikes if necessary."

Swedish UN Soldiers Evacuated Near Tuzla

AU2803091095 Paris AFP in English 0800 GMT 28 Mar 95

[FBIS Transcribed Text] Stockholm, March 28 (AFP)—Twenty-five Swedish UN soldiers were evacuated from northeastern Bosnia after being cut-off by the fighting in the area for the past week, the Swedish army said here Tuesday.

Colonel Peter Lundberg said Monday's operation was a "100 percent success," but gave no further details, Swedish news agency TT said.

A group of 23 Swedish soldiers have replaced them at an UN observation post in the Majevica hills, east of Tuzla, which is declared a UN safe haven.

Bosnian authorities have prevented food and other supplies getting through to the post since March 20, an UNPROFOR spokesman said.

Karadzic Claims 'Right' To Launch Counterattack

AU2803113695 Banja Luka Srpska Televizija in Serbo-Croatian 1930 GMT 24 Mar 95

[Interview with Bosnian Serb leader Radovan Karadzic by an unidentified correspondent on 24 March, place not given, "following his visit to Majevica"—recorded]

[FBIS Translated Text] [Karadzic] These people are cheerful and alert, and they know what they want. They want to defend their land, the morale in the army is high, they are determined and well equipped, and there are no critical remarks or objections. On the contrary, there is much optimism, and I think we will do something similar to what we did when they attacked us from Bihac.

Tuzla is no longer a protected area, it is the center and stronghold of the 2d Corps of the Muslim army, one of the strongholds from which they started toward our territory with the intention of jeopardizing Serb Majevica and the relay station, which, by the way, has not fallen, and the people should know that.

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I think that now we have every legitimate right to ward off the enemy and drive them as far as Tuzla, if necessary.

[Correspondent] You rarely wear a uniform, but you are wearing it now. Does that imply that the situation is serious?

[Karadzic] They should not make us wear uniforms. If we have to wear uniforms, the entire nation will be wearing uniforms. We fought to the minimum extent necessary, to the extent that we were protecting our interests, but if they really make all of us wear uniforms, centralize supply, and even declare a state of war, then there will be no more cease-fires; in that case, we will aim at totally destroying our enemy. So far, we wanted to give them a chance of a kind of undecided result of this war, but they obviously do not want that, so our present orientation is that the enemy has to be destroyed, primarily at Majevica, and then further—finally, Tuzla was once ours, and there is no reason to give it up.

[Correspondent] The entire world knows that there is a great Muslim offensive going on. What have you, as the supreme commander, told our commanders?

[Karadzic] Certain orders have been issued and, yesterday, I was pleased to see that they were elaborated and passed on from the level of the headquarters to the level of corps and lower. Our army knows exactly what to do: If the enemy approaches our positions and attempts breakthroughs, then the enemy must be destroyed, but we will not stop there—we have the legitimate right to a counteroffensive.

It is very important that the entire world has seen who it was who violated the cessation of hostilities. I want to point out to our viewers that there is a great difference between a cease-fire and a cessation of hostilities. Cease-fires may be violated, but a cessation of hostilities is an act that immediately precedes the concluding of peace, that is, the end of the war. The Muslims did not consider this sacred; they used this cease-fire, that is, this cessation of hostilities, to acquire additional weapons, and at the moment they decided that the situation no longer suited them, they violated the cessation of hostilities, which the entire international community can see, and we are now free to chase them out and destroy them.

[Correspondent] [words indistinct] met with Vance [as heard] and Owen in Zvornik. Were any specific agreement reached?

[Karadzic] We worked on the linguistic overcoming of the standstill in the Contact Group activities. They emphasized that they were on a private mission, but we know that the visits of all these emissaries are always synchronized, that it was not a private mission. Once again, we composed a formulation that could satisfy us, the Muslims, and the Contact Group, saving everybody's faces. We will see if the Contact Group is going to be flexible enough to restore the negotiations on that basis, which would be very important for us as the blockade of the Drina River would be lifted, and our relations with Serbia would improve.

Serbs Report on Fighting on Majevica Front

LD2703193095 Belgrade SRNA in Serbo-Croatian 1830 GMT 27 Mar 95

[FBIS Translated Excerpt] Bijeljina, 27 Mar (SRNA)—Despite constant reinforcements in manpower and military equipment from the Tuzla safe area and intense artillery and infantry attacks, the Muslim aggressor has not been able to threaten Serb positions on the Majevica front and capture the Stolice relay complex.

According to Serb military sources in Bijeljina, the [Bosnian] Serb army has repelled all attacks even though 300 shells have been fired in the Stolice area alone. The Muslim artillery has also shelled civilian targets in villages in the Lopare municipality.

The Muslims are constantly bringing in fresh units from Tuzla, Zivinice, and Banovici. They are immediately sending them into the battle in order to save the offensive on Mount Majevica. [passage omitted]

[Belgrade SRNA in Serbo-Croatian at 1942 GMT on 27 March reports: "Unable to stop a strong Serb counteroffensive on Mt. Majevica, Muslim units fired several shells on Lopare at 1700 GMT this evening, Serb military sources in Bijeljina report. A general alert is in force and the people are in their shelters. The Muslim aggressor is unable to stabilize the lines to which he has been repelled after a strong counterattack by the [Bosnian] Serb army and it is trying to prevent the impending breakdown of its offensive by attacking civilians, Serb military sources say."]

Serb Town Near Tuzla Under Artillery Fire

LD2703212695 Belgrade SRNA in Serbo-Croatian 1942 GMT 27 Mar 95

[FBIS Translated Text] Bijeljina, 27 March (SRNA)—Unable to stop a strong Serb counteroffensive on Mt. Majevica, Muslim units fired several shells on Lopare at 1700 GMT this evening, Serb military sources in Bijeljina report.

A general alert is in force and the people are in their shelters.

The Muslim aggressor is unable to stabilize the lines to which he has been repelled after a strong counterattack by the [Bosnian] Serb army and it is trying to prevent the impending breakdown of its offensive by attacking civilians, Serb military sources say.

Serbs Using Missiles of 'Huge Destructive Power'

AU2803113795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1000 GMT 28 Mar 95

[FBIS Translated Text] The Information Service of the 1st Corps reports that, when shelling the Olovo region

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the day before yesterday [26 March], the enemy used missiles of some unknown type and huge destructive power. They were fired from the region of the villages of (Krivajevici) and (Jeldinovici) at the town section of Olovo, as well as the village of Bacici. Investigation and analysis have shown that before impact, the missiles were visible [vidljiv] and emitted a strong sound; their fuse was set for delayed operation [usporeno dejstvo]. They consist of four motors of the Oganj type with a destructive combat head on the tip. Although the missiles made craters five meters deep and eight meters in diameter, there were fortunately no serious consequences. This case, however, shows the characteristic way in which Karadzic's army and military experts are fighting; they do not shrink from killing women, children, and defenseless civilians in order to achieve the final aims of their fascist strategy.

Serbs Shell Breza From Sarajevo Exclusion Zone

AU2703181795

[FBIS Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 1700 GMT on 27 March carries in its regular 24-minute newscast several reports on the military situation in the country. Reception is fair to poor.

Mirza Sadikovic reports from Bihac that "today the heaviest enemy attacks have been directed against the areas of (Skegic Selo), Johovica, and Radakovici. Hundreds of artillery and tank shells have been fired at the said areas and their defense lines. The members of the 5th Corps have been resisting these attacks, and so far there has been no change to the front lines." He says that "new military hardware is being installed in the so-called Serb Autonomous Province of Krajina, and new Chetnik forces are also being brought in."

The studio announcer cites the Bosnia-Herzegovina Army 1st Corps on the situation in Sarajevo, saying that "dum-dum bullets fired from Gavrica Brdo wounded two women in Butmir. An aggressor's sniper bullet wounded one person in the area of Zuc." She cites the same source as saying that "the enemy from the direction of Sisic Kuce fired one missile from a portable rocket launcher at Vrbanja Bridge."

Reporting from Breza Edin Cabarabdic says that "the aggressor's artillery targeted the Breza-Visoko road. According to the information we received from the Breza Information Center, the Chetnik artillery fired from the direction of Ilijas, that is, from the [Sarajevo] exclusion zone. This is not the first time this has happened since the Sarajevo zone was proclaimed a safe zone by the United Nations." He says that "the general alarm was sounded twice in Breza today and is still in force."

Reports of Further Advances by Abdic's Forces

LD2803145195 Belgrade SRNA in Serbo-Croatian 1333 GMT 28 Mar 95

[Received via fax]

[FBIS Translated Text] Drvar, 28 Mar (SRNA)—Units of the People's Defense of Western Bosnia [NOZB] last night and this morning pushed back units of Izetbegovic's 5th Corps from the locality of Vrnograc, about 20 kms east of Velika Kladusa inflicting big losses on the enemy, the NOZB Supreme Command says in a statement.

It is said in the statement that over 20 5th Corps soldiers were killed in the fighting over the last 24 hours and that over 100 villagers from the villages of Elezovici, Podzvizd, and Vrnograc crossed over to the territory under the control of Abdic's units.

The NOZB supreme command went on to say that columns of people from the villages of Vrnograc, Crvarevac, Masinovici, and Zboriste were moving in the direction of Cazin and that about 90,000 people or over one third of the total population of Cazin Krajina, was now living in the areas under the control of Abdic's units.

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Defense Ministry Wants 'General Mobilization'

AU2703181295 Paris AFP in English 1522 GMT 27 Mar 95

[FBIS Transcribed Text] Zagreb, March 27 (AFP)—The Croatian Defence Ministry announced Monday [27 March] a general mobilisation of all men in the Zagreb area eligible to serve in the armed forces, the HINA news agency said.

The ministry's "Defence of Zagreb" section called for the mobilisation of "all men born in 1978, men not yet on armed forces registers (and) ... all children of refugees born in 1978" resident in the capital.

Conscriptions are to take place between April 3 and 7.

HINA gave no explanation for the announcement, and no Defence Ministry spokesman could be contacted Monday afternoon.

It was announced shortly after Belgrade authorities reiterated a refusal to recognize Croatia and Bosnia-Herzegovina as independent states, and amid an escalation in fighting between Bosnian Government and separatist Serb forces in Bosnia.

Article Compares Strength of Military Alliances

AU2303160395

[FBIS Editorial Report] Split NEDJELJNA DALMACIJA in Serbo-Croatian on 17 March on page 17 carries an approximately 2,000-word article by Emil Vidusic on the military cooperation agreement reached by Bosnia-Herzegovina and Croatia in Zagreb on 6 March. In addition to explaining the reasons behind the decision of Croatia and Bosnia-Herzegovina to form closer military ties, the article also carries two tables depicting the strength of different armed forces in the former Yugoslavia, as follows:

Table 1
Situation on the Land Front

Combat Potential	Croatian Bosniak Alliance	Knin-Pale Alliance	Ratio of Forces	Army of Yugoslavia	Maximum on Front
Soldiers	368,000	140,000	2.6:1	200,000	708,000
Land Forces					
Soldiers	358,500	135,500	2.6:1	175,000	669,000
Personal weapons	540,000	300,000	1.8:1	1,700,000	2,540,000
Tanks	300	670	1:2.3	2,500	3,470
Armored carriers	200	400	1:2	1,200	1,800
Guns, mortars	2,200	2,500	1:1.1	4,700	9,400
Multiple rocket launchers	150	110	1:4.1	200	460
Armor-piercing weapons	500	1,100	1:2.2	700	2,300
Air-defense weapons	1,580	2,000	1:1.3	5,700	9,280
Air Force and Air Defense					
Soldiers	8,400	4,500	1.7:1	19,000	31,900
Combat aircraft	45	60	1:1.3	400	505
Combat helicopters	24	40	1:1.7	150	214
Unarmed aircraft	50	20	2.5:1	70	140
Air-defense weapons	340	300	1.1:1	650	1,290

Table 2
Situation on the Sea Front

Combat Potential	Croatian Navy	Yugoslav Navy
Marines	1,100	6,000
Submarines of standard size	0	5
Submarines for sabotage operations	1	4
Frigates	0	4
Gunboats	2	4
Missile boats	1	6

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Table 2
Situation on the Sea Front (Continued)

Combat Potential	Croatian Navy	Yugoslav Navy
Torpedo boats	2	4
Patrol boats	2	6
Mine layers, assault vessels	12	8-10
Mine sweepers	3	8

Tudjman, Bosnian Croats Discuss Federation

LD2703212795 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 27 Mar 95

[FBIS Translated Excerpt] The full revitalization of the Bosnia-Hercegovina federation and its confederation with Croatia was discussed at talks between President Tudjman and a Herceg-Bosna delegation. Here is a statement issued by the president's office:

Croatian President Franjo Tudjman has received a delegation of the Croat republic of Herceg-Bosna and the Croatian Democratic Union [HDZ] of Bosnia-Herzegovina. [passage omitted]

The participants discussed several concrete issues regarding revitalization of the Bosnia-Herzegovina federation and its confederation with Croatia, which firmly supported this.

The guests briefed the president about the situation in the Bosnia-Herzegovina federation. They also told him that they will insist that political responsibility for the disappearance of Croat General Vlado Santic be established.

The president said that Croatia will provide strong economic, political, military, cultural, media, and any other support for the further development of the Bosnia-Herzegovina federation and its confederation with Croatia. Regarding this, it was stressed that Croatia's economy could be represented better in the federation.

Foreign Minister Ganic on Problems With Mandate

Meets Norwegian Counterpart

LD2703153695 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 27 Mar 95

[Report on news conference by Croatian Foreign Minister Mate Granic and Norwegian Foreign Minister Bjorn Tore Godal by correspondent Andjelko Perincic in Zagreb on 27 March; Godal speaks in English with superimposed translation into Serbo-Croatian—recorded]

[FBIS Translated Excerpt] [Announcer] Discussions between Croatian and Norwegian foreign ministers have ended in Zagreb. Mate Granic and Bjorn Tore Godal, ministers of foreign affairs of the two countries, gave a news conference. Andjelko Perincic has a report:

[Perincic] Addressing journalists, Minister Granic said the talks focused on international problems and relations between the two countries, and termination of the current and the new mandate for peacekeeping forces in Croatia. The Croatian foreign minister said: I have told my counterpart that Croatia wished to draw attention to its problem and that our goal is to reach an agreement with the international community on the new mandate.

[Granic] What is very important to stress is that Croatia is not pleased with the report by UN Secretary General Butrus-Ghali as it does not reflect the gist of talks between President Tudjman and the UN secretary general. Croatia will send a letter to the secretary general today in which it will voice its stances and demands very strongly, primarily in connection with new UN Security Council resolutions.

Our wish is to find a common language for the adoption of two UN resolutions by the end of this week—on the termination of the UNPROFOR [UN Protection Force] mandate in the Republic of Croatia and on the new UN mandate that will include both the control [kontrola] of borders and overseeing the implementation of agreements reached with the Croatian Serbs. It will also refer to the part of UNPROFOR, i.e. its headquarters, which will remain in the Republic of Croatia for the needs of its operations in Bosnia-Herzegovina.

We had talks on relations with our neighbors and European integration processes. As for Croatian-Norwegian relations, there are no open issues. Our country shows great respect for Norwegian assistance for resolving our humanitarian problems, its support for the peaceful resolution of the crisis, and particularly the presence of Norwegian peace forces in Croatia, Minister Granic said.

His Norwegian counterpart, Minister Godal, added:

[Godal] We are closely interlinked, and there is really no alternative to our strong political, economic, cultural, and other ties, one of which is of course the need for our continent to be peaceful. I also have to say that we have been nourishing cordial relations with all the nations of former Yugoslavia. [passage omitted]

[Perincic] Replying to a journalist's question as to why Croatia was not pleased with Butrus-Ghali's report,

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Minister Granic told Norwegian journalists that Croatia wanted a tighter control [kontrola] of borders of the occupied areas of the Republic of Croatia, as Belgrade was still providing military assistance to Serb insurgents in Croatia:

[Granic in English with superimposed Serbo-Croat translation] Belgrade regularly pays five generals, 50 colonels, and more than 6,000 soldiers, including one brigade. However, Butrus-Ghali claims that the biggest problem is our definition of the peacekeeping forces' mandate. We should recall that 400,000 non-Serb civilians were evicted from the occupied areas of the Republic of Croatia.

We are also disappointed with the report because we wish to see the name Croatia mentioned in the new UN Security Council resolution and a better definition of the control of borders.

[Perincic] After the news conference Norwegian Minister Godal and Adalbert Rebic, the head of the Croatian Office for Refugees and government minister, signed an agreement on Norway's financial support to refugee projects in Croatia.

Briefs Contact Group Diplomats

LD2703185895 Zagreb HTV Television in Serbo-Croatian 1730 GMT 27 Mar 95

[FBIS Translated Text] Croatian Foreign Minister Mate Granic has briefed diplomatic representatives of the Contact Group countries in Zagreb on his letter sent to UN Secretary General Butrus-Ghali in which he voiced Croatia's dissatisfaction with Butrus-Ghali's report to the Security Council. The meeting was also attended by representatives of the UN Security Council members—China, Italy, and the Czech Republic which is to chair the Security Council in April.

On this occasion Minister Granic reiterated Croatia's demands regarding the new UN forces' mandate in Croatia. He stressed that Croatia does not demand anything beyond what was agreed in Copenhagen. In the talks, he also dwelt on proposals that appeared recently. In this connection he stressed it is unacceptable to Croatia that the abolition of the sanctions against the so-called Federal Republic of Yugoslavia should be linked to the recognition of Bosnia-Herzegovina alone, and said that it must also be linked to recognition of Croatia.

Minister Granic said that Croatia is ready to accept a tripartite meeting between presidents of Croatia, Bosnia-Herzegovina, and Serbia, but only on the basis of the current European Union proposal. He also expressed Croatia's readiness to continue negotiations with the local Serbs.

Lists Objections to UN Report

LD2703182795 Zagreb HTV Television in Serbo-Croatian 1730 GMT 27 Mar 95

[FBIS Translated Text] On behalf of the government of the Republic of Croatia, and following talks with President Franjo Tudjman, Foreign Minister Mate Granic has sent a letter to UN Secretary General Butrus-Ghali.

Having noted several serious incidents which had occurred in Croatia's occupied territories in eastern Slavonia—in which Yugoslav armed forces, which entered Croatia from the Federal Republic of Yugoslavia, took part—Granic noted that the report is not balanced and that it intentionally omits the most important parts of the Vance plan: the immediate disarming and disbanding of the Serb paramilitary formations.

The government of the Republic of Croatia and the rebel authorities in the occupied territories have been implicitly put on the same level. The name of the new operation does not indicate that it concerns Croatia.

The report neither ensures nor suggests an efficient control [kontrola] of the internationally recognized borders, hence it does not meet the conditions for Croatia's endorsement of the new mandate.

The report, the letter stresses, is not in accordance with the talks which the secretary-general had with the Croatian president.

Here is what Croatian Foreign Minister Mate Granic said in a brief interview to Croatian TV in connection with the letter to Butrus-Ghali:

[begin recording] [Correspondent Mirjana Rakic] Mr. Minister, at the moment UN Secretary General Butrus-Ghali has your letter on his desk; in it you voiced dissatisfaction not only with his report but also with the draft resolutions in connection with the continuation of the UN forces' mandate in Croatia. What are the three important elements with which Croatia disagrees?

[Granic] First of all, Croatia is not pleased with the report itself. It does not reflect the real state of affairs. It does not reflect the spirit of talks between President Tudjman and UN Secretary-General Butrus-Ghali, nor the spirit of the Copenhagen agreement.

I would particularly wish to stress that in several parts it equates the legitimate Croatian government with the Serb insurgents in Croatia. On the other hand, it labels Croatia as the sole culprit in slowing down the peace process because it adopted the decision to terminate the UN Protection Force's [UNPROFOR] mandate.

However, UN Security Council resolutions are much more important, because these resolutions have been put forward by the Contact Group. They took into consideration Croatia's stances to a much higher degree, particularly President Tudjman's stands contained in the Copenhagen agreement and the talks in Washington and New York.

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There are three other things with which we disagree. These three things are: We want the name of the Republic of Croatia to be mentioned in the headline of that resolution; second, we want the mechanism of the control [kontrola] of borders to be more precisely defined; and third, we want a paragraph clearly saying that the UNPROFOR mandate in the Republic of Croatia terminates on 31 March this year.

[Rakic] Mr. Minister, you have mentioned all the talks—in Copenhagen, New York, and Washington. Was the concept of the control [kontrola] of borders defined in these talks?

[Granic] All the while Croatia had tougher stands than our collocutors. But we said very clearly what our minimum condition was.

[Rakic] Will your letter be equally treated by the UN Security Council members with Butrus-Ghali's report?

[Granic] Of course, this letter that was sent on behalf of the Republic of Croatia is an official document of the Security Council.

[Rakic] If the Security Council fails to take your letter into consideration and adopts the resolution, what will Croatia do in that case?

[Granic] The letter sets out very clearly that Croatia will not accept such resolutions. [end recording]

Corruption in HDZ Leadership Noted

95BA0196B Rijeka NOVI LIST in Serbo-Croatian 12 Feb 95 p 10

[Article by Thomas Deichmann, reprinted from DIE WOCHE: "A Villa With a Swimming Pool"]

[FBIS Translated Text] In an article entitled "A Villa With a Swimming Pool," Thomas Deichmann discusses the situation in Croatia.

"Three and a half years after independence was declared, the public in Croatia is talking ironically about 'Tudjman's capitalism.' President Franjo Tudjman and his family have in this period become millionaires—as have certain fellow party members in the Croatian Democratic Union [HDZ]. They have taken up key posts in the economy, they are overseeing the process of privatization, and they are making decisions about the granting of bank navjere [probably credit guarantees].

"As president, Tudjman officially earns about 3,900 kunas a month (about 1,000 German marks [DM]). He nevertheless lives in a luxurious villa in Zagreb. Just a few days before adoption of the law prohibiting transformation of state-owned housing to private ownership, Tudjman took care to have the house signed over to him. The value of the building is assessed at DM2.5 million, but the president paid one-fifth of that amount. During the Serbian occupation of Osijek and Vukovar, the Croatian Government lamented the lack of money to buy weapons and ammunition. Tudjman at that same time decided to build his own swimming pool.

"Nor is the president neglecting his own family. His eldest son heads the Croatian secret service. Tudjman's son Stjepan is managing director of the firm Domovina, established in 1990 and located in the same building as the HDZ headquarters. The firm Domovina has the authority to purchase weapons and clothing for the Croatian Army, and it also sells the insignia of the state and flag, which are displayed all over Croatia.

"Nevenka Kosutic-Tudjman, the president's daughter, has also made a successful entrance into business life. For one thing, she heads the store chain Nettel, which supplies goods for the duty-free trade in Croatia. Her son Dejan, who is only about 20, already manages the export-import firm Streljana and owns a luxurious nightclub and restaurant in Zagreb.

"Membership in the HDZ is a kind of Open Sesame in Croatia. For example, Gojko Susak, defense minister and HDZ member, is a key figure in Croatian imports of weapons. His property is estimated at DM200 million. One of Minister Susak's purchases last year was an elegant apartment in Zagreb with an area of 240 square meters at a ridiculously low price. Antun Verdoljak, HDZ member, is managing director of state television, the head of Croatia Airlines, and chairman of the Croatian Olympics Committee. Miroslav Kutle, HDZ member, purchased the newspaper SLOBODNA DALMACIJA for DM2.4 million in spite of another offer of DM3.7 million," Thomas Deichmann wrote.

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FM Crvenkovski Views Dialogue With Greece

AU2703185795 Skopje PULS in Macedonian 24 Mar 95 pp 12-14

[Interview with FYROM Foreign Minister Stevo Crvenkovski by Eleonora Karanfilovska and Mirka Velinovska; place and date not given: "Policy of Open Doors"]

[FBIS Translated Text] [PULS] Minister, what is your assessment of the talks that you had in the United States?

[Crvenkovski] Many things have been going on in the region around us, first of all in connection with the mandate of the UN peacekeeping forces, because of which it was necessary to secure greater support for our request to separate the mandate of the peacekeeping forces in the Republic of Macedonia [The Former Yugoslav Republic of Macedonia] from those in Bosnia and Croatia.

[PULS] Is this a new mandate or a new command?

[Crvenkovski] A new mandate because our view is that the operation in Macedonia has a totally different character and different goals from those in Bosnia and Croatia. First, it is a preventative operation; second, since Macedonia has not taken part in the war—and this is of great importance—it should be separated from the context of the war in the region of former Yugoslavia, as the problems are of a different nature, as is the operation itself. This has been an extremely successful operation, according to the analyses in the world's diplomatic circles, and it is also seen as a model for future UN operations. This is why it is essential to put it under a special resolution and refer to it as to a special operation. This does not just refer to the logistics, the technical and administrative organization of the operations, but it is principally a separation in a political sense so as to emphasize the special position of the peacekeeping operation itself and of the Republic of Macedonia in this context.

[PULS] Apart from the official request, we have also heard about some statements that were made at the meetings. We mean the meetings that you had with Holbrooke, Defense Secretary William Perry, [British] Minister of State Douglas Hogg, and Secretary General of the French Foreign Ministry (Bergrand Difourque), which tell us that you have been able to speak to members of the Security Council. Since there is just one more week until the UNPROFOR [UN Protection Force] mandate expires, can you tell us about the support for Macedonia's request?

[Crvenkovski] First of all, I think that the substance of the request was fully understood by all. There are slight differences in views on the overall activity of UNPROFOR, but not on our basic political request. The different views mostly refer to the organization and the operation but I do not think that they will have a great effect on the final outcome. I believe that we shall achieve our basic goal, which is a special resolution.

[PULS] Can you explain this? Will Macedonia propose or submit a draft resolution or will this be done by some of the Council's members or the Contact Group?

[Crvenkovski] I think it would be much better if such a proposal came from countries that are directly included in the work of the Security Council.

[PULS] As for the peacekeeping missions, your meeting with William Perry raised great interest after his statement on a possible enlargement of the U.S. contingent. A whole division was even mentioned.

[Crvenkovski] We had long discussions with Secretary Perry, during which we viewed all aspects of security in the region. We also highlighted the latest events in the crisis hotbed and we had long discussions on the role of the peacekeeping operation in Macedonia. First of all, we agreed that the mission has been entirely successful, as has the participation of the U.S. soldiers in this mission. As for the number of soldiers, at the moment there is no need to change it. However, it was assessed that it is necessary to monitor events carefully and if a change occurs in the situation, then we shall jointly decide about the necessary steps.

[PULS] Was this your joint assessment?

[Crvenkovski] Yes, in general, this was our joint assessment.

[PULS] Since this request has a political subtext in all the activities of Macedonian diplomacy, it is actually possible to say that Macedonia is trying to get out of the former Yugoslav package, that is, the framework of the London Conference as it was arranged. Can we say that this initiative is another step toward separation from the former Yugoslav conflict?

[Crvenkovski] We are already out of the former Yugoslav conflict. We are now trying to make all the international protagonists fully understand this. Getting out of this context should now be completely explained to these foreign players. We got out of the crisis first of all by achieving our independence in a peaceful way and by all our subsequent activities, not only in foreign, but particularly in domestic policy. This is the key to the survival of Macedonia's independence. The focus of our activities now is not only to explain, but if possible, to separate ourselves from the former Yugoslav conflict in a completely formal way. This has certainly been a new step in this direction but it is not the most important one. The most important thing is to protect the UN operation itself as something that will serve as a future model.

[PULS] When you positively assessed the conference on the pact for European stability and Prime Minister Balladur's statement on the southern Balkans, in which he discussed Macedonia, did you have in mind a separation of Macedonia from the Conference on Former Yugoslavia?

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[Crvenkovski] Certainly. Part of Prime Minister Balladur's address is of extraordinary importance, although at first glance it does not seem to contain anything sensational (it is a very carefully written text). Nevertheless, if we analyze the entire history of the preparation for the stability pact, we can see that the countries in the region of former Yugoslavia were excluded from the activities of the pact because they were part of an unresolved crisis. The fact that they now say that the activities of the pact should begin in the part of the southern Balkans where peace has been maintained indicates that this region has been separated from the crisis itself. It is clear that the intention of the pact is to apply its logic to all countries that have succeeded in maintaining peace. Macedonia was not specified particularly and was referred to as a narrow part of the region, but it was very clear which part was meant.

[PULS] Can we say that it was one Macedonian policy gain when Macedonia got out of Article 13 of the resolution on human rights adopted in Geneva 10 days ago?

[Crvenkovski] I would not like to boast of many successes because diplomacy should normally be able to achieve all these things. Nevertheless, it is a very important step, a significant resolution by the commission for human rights that has been repeated for three years now. Last year, Macedonia was mentioned in a paragraph of this resolution with a basically positive connotation concerning human rights in Macedonia. However, we thought that, in spite of everything, we were nothing to do with this resolution because it was principally related to violations of human rights in some of the republics of former Yugoslavia. We do not belong there, either because of the events or because of our position. This is why we have tried several times to be exempted from this resolution. The American side, which proposed the resolution, excluded this paragraph, and we find it important that Macedonia is not now mentioned at all in this document. The discussions under the point dealing with technical assistance and activities of the mission for human rights in Macedonia is something that we have always supported and we find its presence and activities here positive.

[PULS] As regards the events in Tetovo and the state's attitude to them, it was seen as a defeat for Macedonian policy or a weakening of its international position. Allegedly, Macedonia was thereby returned to the fold of Balkan states, instead of obtaining a possibly European image. Since you have frequent contacts with various world and European protagonists, can you tell us something about their views on Macedonia and the Macedonian position now?

[Crvenkovski] I think that Tetovo made many of our friends in the world and many international institutions think about the essence of the problem. There have been many misunderstandings and much misinformation about what really happened. I think that after our recent contacts it has now become quite clear that it was not a problem of education, but political provocation, that the problems of education are something else, and that the way to resolve educational problems should be different. It also became clear that the attempts to set up a so-called Tetovo university had nothing to do with education. This has now become quite clear to all international circles.

[PULS] If we understand you correctly, this means that Macedonia has not lost anything significant of its image as a democratic European country with little similarity to Balkan politics.

[Crvenkovski] I think that the picture of the events and the situation in Macedonia is very clear. The reports of the international organizations are very clear in this context and I do not think that new dilemmas have been created, but, quite the contrary, old ones have been clarified.

[PULS] Has the official Albanian view only changed because there is a clearer picture now? Let us recall Albanian President Berisha's previous statements, just after Selami was replaced, that Macedonian stability is in their vital interest. Do you think that this change occurred as a result of something else?

[Crvenkovski] I cannot discuss the motives or political moves of any country. The latest statements of President Berisha and Minister Serreqi were also part of a series of statements, so this is no great change in their government policy. Some of the statements made in the course of the events raised some questions in bilateral relations, but you have been able to follow our reactions. We did not want to react with irritation to any of the statements, which is the case in relations with other countries, too. We have never allowed ourselves to be overcome by emotion or to react to any of the challenges of other countries, either, because this does not correspond to the basic course of our policy, and I think that we were right not to do this on this occasion, too, because the latest statements and the entire development of relations are now heading in a positive direction and the true situation will influence all of this.

[PULS] Turning to the Foreign Ministry's latest reaction to the announcements and various information from Greece on the beginning of direct dialogue as a reaction without nervousness—we sensed extreme caution in the statement that you issued—and it also looks as if you have opened the door to Greece slightly and made concessions following Prime Minister Papandreou's firm decision to keep the embargo until the negotiations are concluded. There is the feeling that you are giving him the opportunity to make alterations by using the conditional formula: "If Minister Papoulias's statement is true."

[Crvenkovski] I think that we all understand that we did not close the doors to any discussions. I think that there are many reasons for this and now we know that it is the

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only proper approach and has great support in the world. It will lead us nowhere if we enter a race in which we compete in exchanging strong statements or in patriotism and thus close off all prospects of solving the crisis.

[PULS] However, you have two firm policies: no discussions about the country's name and no discussions under the embargo.

[Crvenkovski] We have clear policies on all the questions in the dispute. Nevertheless, we think that every dispute, regardless of the positions of the two sides, can only be solved through dialogue. The doors must not be closed to dialogue if there is a minimum chance of discussion. But we cannot accept unequal dialogue in our relations with Greece. This is more than clear and beyond any discussion. We are also against a meeting for the sake of a meeting, one that is not devised so as to produced a result. However, if the conditions are provided, if there are preparations for an equal dialogue that provides the opportunities for a positive result, it is not in our interest to close the doors.

[PULS] To take the discussion further: Ministerial meetings in such disputes usually mark the finale. If there is a meeting between yourself and Papoulias, will it be the beginning?

[Crvenkovski] At the moment such a meeting has not been agreed upon. Of course, there is such an idea, but no meeting has been agreed because it is not totally clear how well prepared it is.

[PULS] Why are you skeptical?

[Crvenkovski] Because at this moment there are many unclarified questions. Many questions require calm and reasonable preparations.

[PULS] Do you see a link between Greece's willingness for dialogue and a possible decision of the European Court in Luxembourg?

[Crvenkovski] I would not look for a link here. I believe that the court is dealing with legal questions, not political ones, and that the Court will make decisions based on legal facts. The question of a dialogue between Macedonia and Greece is not a question of the embargo, which is subject to the court's decision. We were clear in saying that the embargo cannot be a subject for negotiations. However, the entire relations of the two countries should be the topic of negotiations and this is what we are really interested in. The problem is not in separate questions, some items that one or the other side wants to impose, but it is the problem of overall relations between the two countries, because it is a long-range key question for us as well as for them. We both lose by dragging out the problem.

[PULS] There were many dramatic pieces in the U.S. press before the Gore-Tudjman meeting. After this climax in Copenhagen, what are the current U.S. assessments on security in the region and on Macedonia's position in general?

[Crvenkovski] I can say that I felt moderate optimism in the contacts that I had in Washington after the settlement of the situation in Croatia. There is still great concern on the part of all the diplomats that I met in the United States about future developments in Bosnia and Herzegovina, but the majority believe that Macedonia has effectively come out of the hotbed of crisis. Certainly, there can always be a danger for the whole region, and therefore for Macedonia as well, but the prevailing opinion is that the crisis for Macedonia is not as hot as it was a year or two ago. This can be seen from the attitude of the international institutions toward Macedonia, including the latest conference on stability held in France.

[PULS] The deterioration in Tirana-Athens relations and then the spectacular improvement can serve as an example of willingness in the southern Balkans to solve disputes in a peaceful way. Is there a lesson for Macedonia in this willingness on the part of the two sides?

[Crvenkovski] First of all, I find it very good that relations between Albania and Greece have taken a positive course. Good mutual relations among our neighbors are of vital interest to us because they greatly and directly affect us. We are much interested in a regulation of mutual relations among the neighboring countries in the region. In the case of Albania and Greece, I think that both countries have demonstrated a high level of political maturity and willingness for dialogue to find mutually acceptable solutions. We have always been committed to this way of solving problems. We hope that we shall be able to solve some disputes that are of interest for us in a similar fashion.

[PULS] The situation in the Balkans is additionally interesting because of the involvement of the United States. Its interest in Balkan stability has been expressed many times. However, is this the only reason for the steady intensification of Washington-Skopje relations? You have had five or six meetings with Richard Holbrooke in the past two months and three or four meetings with the U.S. Secretary of State in the past 13 to 14 months, but there is the impression that the U.S.-Macedonian relations are not at a satisfactory level.

[Crvenkovski] We are interested in the best possible relations with the United States. We are very encouraged that the U.S. side has obviously the same interest and it is true that relations between the two countries are being developed at an extraordinary pace. It is a pace and quality that we should really like to have with many other countries as well. The reaction of some circles that object to such a rapid and positive development of bilateral relations encourages us in the further development of relations. Nevertheless, I must point out that we have started developing a very close dialogue and cooperation with a number of other countries as well, in particular with countries from the European Union, China, Japan, Russia, and so on. This is particularly related to the countries of the Central European Initiative [CEI], not only because of the meeting in Skopje in

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two days, but we have really developed great cooperation with them, as well as with international organizations, and we have regular monthly meetings with the ambassadors of these countries. This organization is becoming important for the Republic of Macedonia, principally because it was oriented to economic issues and economic cooperation from its very outset.

[PULS] Tomorrow you will be meeting your counterparts from nine other Central European countries who are in charge of foreign trade. Do you expect any concrete results from this meeting?

[Crvenkovski] This meeting has been long prepared. The initial idea came from former Italian Foreign Minister Martino during the CEI summit in Trieste. After he had made this initiative, I had a meeting with him and expressed Macedonia's interest in being the host. With the support of the Italian side and the CEI chairman, which was Poland at that time, we obtained the opportunity to be the host of this first large international meeting in the republic. The meeting of the CEI countries coordinators held in Ohrid was a preparation for this meeting.

[PULS] But we were asking you about concrete agreements.

[Crvenkovski] We expect a range of activities to be initiated on mutual trade regulations, a plan for a longer range trade cooperation among these countries, an agreement on ways to stimulate small enterprises in these countries, stimulation of cross-border trade, and cooperation among the countries. It is essential for us that at this meeting five countries that are not but want to become members of this initiative will be present—including Bulgaria and Albania. We particularly support their membership of the CEI because they are our neighbors.

Commentary on Results of CEI Meeting in Skopje

AU2703190995 Skopje NOVA MAKEDONIJA in Macedonian 27 Mar 95 p 2

[Commentary by Zaneta Skerleva: "Common Goal—Europe"]

[FBIS Translated Text] It has been confirmed that when the economy and trade are at stake, common interests can easily become a foundation for various concrete programs and agreements. This is exactly what happened in Skopje, at the meeting of foreign trade ministers of the Central European Initiative [CEI] countries. The ministers and heads of delegations of 14 countries, of which 10 are full members and four are affiliated, did not encounter any major problems concerning economic cooperation. They paid special attention to the trade and development of small and medium size enterprises, agreeing that European agreements on regional and cross-border cooperation are a priority for the CEI in these fields.

As is known, there are many different countries within the CEI. Some of them, such as Italy and Austria, are members of the EU; some have associate status in the Union; others are making their first steps in this direction and are now in a phase of development that is called "the period of transition." Nevertheless, the variety within the CEI can be an advantage because the questions that the countries deal with are common and of vital interest to their development. There is less politics in the CEI, although politics is everywhere, and much more of what is called a desire for a better life! That is why the participants were so pleased with the meeting in Skopje: They initiated some useful activities for the removal of obstacles to trade and for encouraging traders and businessmen to find easier and more efficient ways to create closer links.

The CEI meeting in Macedonia [The Former Yugoslav Republic of Macedonia] is actually the beginning of a new phase in the organization's development, which is to organize specialized ministerial meetings on economic issues and on the development of trade at the bilateral and multilateral level. The participants unanimously agreed that the development of trade among member countries can contribute to a more rapid integration into the EU. Indeed, all the proposed activities of the CEI ministerial meeting in Skopje were within this context. It became clear that the integration processes in Europe must be part of national legislation if we want to become an integral part of them.

As far as Macedonia is concerned, it certainly felt at ease in the company of the CEI countries. Not only because this is one of the organizations in which it has a full status and in which it can take part in equal dialogue, but also because our country can contribute to and profit from much if it follows the CEI trends. This can promote its own position, first of all on the economic plane. Macedonia is not only "among friends" within the CEI, but it also has opportunities to become more efficient in business and trade. As for the economic situation in our country, with blockades to the south and sanctions to the north, every opportunity for faster, cheaper, and greater communications with CEI countries is a chance that must be utilized.

Naturally, the Skopje meeting was not a meeting where dates and figures, but rather foundations and processes, were established. Those who expected spectacular results and documents, declarations, and resolutions, were disappointed but it must be seen that in this region there are hardly any high-level meetings that discuss "usual topics." Reconciliation, nonviolence, territories and their divisions, crises and (dis)respect for human rights are the usual dominating topics. When a meeting like the one in Skopje takes place, and the problems there were apparently shared by all, with only the wish to solve them jointly, it is undoubtedly "refreshing" in the tense climate in the region. Will this be the beginning of a trend that will slowly penetrate the consciousness of

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countries: That the economy, trade, and cooperation can more efficiently lead to a better life and even solve political problems?

Macedonia proved to be a good host for this meeting. It proved its desire for cooperation, its European orientation, and its commitment to a better defined economy. It used the opportunity of having ministers and heads of delegations here for a number of bilateral meetings with our ministers on many concrete issues. The process has started; we have to wait and see to what extent the CEI countries will use their variety and common commitment to accomplish concrete common goals. And if it can be used as an indicator: The ministers and heads of delegations of the CEI countries left Skopje with optimism.

Police Units Quell Idrizovo Prison Riot

LD2703175795 Belgrade TANJUG Domestic Service in Serbo-Croatian 1724 GMT 27 Mar 95

[FBIS Translated Excerpt] Skopje, 27 Mar (TANJUG)—Following a police action lasting several hours, special police units of the Former Yugoslav Republic of Macedonia have quelled a riot by some 400 prisoners in the Idrizovo jail near Skopje.

The high security and low security wings of the jail, where rioters erected barricades on Thursday, were placed under police control at around 1700.

Following the action, Undersecretary for Police Affairs Dime Djurev said that the action had been carried out within the legal framework. [passage omitted]

Alleged Beating by Police in Skopje

95BA0193B Skopje NOVA MAKEDONIJA in Macedonian 3 Mar 95 p 8

[Article by Dl. R.: "The Police Do Not Want Questions"]

[FBIS Translated Text] *For having asked why his son was detained, Sotir Cuperkovski was attacked and injured by the police. So far, the MVR [Ministry of Internal Affairs] has provided no information on the incident.*

Last Friday, at around 1700 hours, a grave incident occurred, according to eyewitnesses, at the Fifth Police Precinct station in the Avtokomanda settlement.

Our fellow citizen Sotir Cuperkovski told us himself that he was injured by a policeman who hit him on the head with a hard object, perhaps a club or a pistol handle. This brought Cuperkovski down on the floor of the hall of the precinct station, covered in blood. The reason for the incident, allegedly, was that Robert Cuperkovski, Sotir's son, had been detained, having been a witness to a scuffle. Finding this out, Sotir went, as is proper, to the police precinct and asked to be told why his son was detained. However, he was given no answer whatsoever. He was only told to sit in the waiting room and not to ask anyone. However, as a parent, he continued to insist to be informed, believing that, as a father, he had a right to know. Then, according to Cuperkovski, he was manhandled by as yet unidentified policemen. However, at the police precinct station, Cuperkovski washed the blood and, together with his neighbor Angele Icitrajkov, who witnessed the incident, he was forced to go to the city hospital for help. He also told us that three days after the incident, at around 1700 hours, he was summoned to the same police precinct station and, in a discussion with the deputy commander, was asked what his intentions were concerning this case. Cuperkovski answered that he would file a complaint against the policeman who hit him without a reason.

Despite our daily insistence, the police have provided us no information on this incident. Simeon Milenkov, the precinct commander at the Avtokomanda settlement, told us that he has no right to provide any information whatsoever, and to obtain it we must seek the approval of the public security deputy chairman at the Ministry of Internal Affairs of the Republic of Macedonia [The Former Yugoslav Republic of Macedonia]. After our insistence on obtaining information on the entire case, we were told by the MVR that Dime Djurev, the deputy secretary for public security, was busy.

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Serbia

Finance Minister on Dinar Devaluation Rumors

AU2703195795 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 27 Mar 95

[Interview with Serbian Finance Minister Dusan Vlatkovic by Dusko Petrovic; place and date not given—recorded]

[FBIS Translated Text] Mr. Minister, in light of the latest events regarding the dinar exchange rate and certain rumors, could you tell us whether the Serbian Government intends to change the economic and programmatic choices it has made heretofore?

[Vlatkovic] The government has no reason to change its basic commitments as set out in its policy, particularly its economic policy and objectives—those being stable prices, a stable exchange rate, a deficit-free budget, and the financing of the budget from bona fide sources. Moreover, there is no reason for a devaluation, despite any rumors that may have reached the citizens. Various lobbies, primarily moneylending lobbies, are trying to convince the citizens that devaluation is a possibility and thus are upsetting them. We are convinced that the government—as in earlier cases and situations—will, together with the National Bank of Yugoslavia, again maintain general market stability, an issue that the prime minister will address in the Serbian Assembly tomorrow.

[Petrovic] Therefore, once again, a message to the citizens and the business community: there will be no devaluation.

[Vlatkovic] In view of the fact that there is not going to be a devaluation, this is a message and an appeal to citizens to save their money—which they will need tomorrow—and not allow the black marketeers to cheat them.

Assembly Speaker Meets Bosnian Serb Delegation

LD2703175295 Belgrade TANJUG Domestic Service in Serbo-Croatian 1103 GMT 27 Mar 95

[FBIS Translated Text] Belgrade, 27 Mar (TANJUG)—The Serbian Assembly's press center has reported that Serbian National Assembly Speaker Dragan Tomic received a delegation of the Serb Civic Council from Sarajevo today, headed by Boro Bjelobrk, head of the deputies' club of the Social Democratic Party of Bosnia-Herzegovina.

The two sides concluded during the talks that the war in the former Bosnia-Herzegovina can be brought to an end through negotiations and peace talks and then stressed that there was no alternative to peace.

Tomic stressed that Serbia has been saying since the onset of this crisis that the crisis can be resolved only in a peaceful way and through negotiations, but only under the condition that the interests of all three constituent nations are equally protected and their equality respected.

The two sides assessed that the Contact Group's plan represented a starting point on which it was possible to continue peace talks and to achieve peace.

Tomic once more gave maximum support to peace talks because, according to him, war cannot resolve anything. On the contrary, its continuation brings about only suffering and death. Hence, peace is in the interest of all those living in the former Bosnia-Herzegovina, a statement says.

SPS Official on 'Warmongering' by Bosnian Serbs

AU2703202595 Belgrade RTB Television Network in Serbo-Croatian 1730 GMT 27 Mar 95

[Interview with Natasa Gacesa, a member of the Socialist Party of Serbia [SPS] Executive Committee, by Svetozar Zivkovic; place and date not given—recorded]

[FBIS Translated Text] [Zivkovic] In your opinion, what is one of the most important elements of Serbian national interest?

[Gacesa] Currently, peace is one of the most important elements of Serbian national interest. Peace can be achieved by accepting the Contact Group plan, which is a basis for further negotiations. Serbian President Slobodan Milosevic's stance is universally known, accepted among the citizens of Serbia, and recognized and acknowledged by the international community. It is also well known that the Serbian Assembly this summer—at an irregular session—accepted a declaration that stipulates the acceptance of the Contact Group plan as the primary condition, then to be followed by a dialogue on possible controversial issues. This declaration is currently one of the crucial points of state and national interest.

[Zivkovic] Political parties are by definition organized on the principle of similar interests. To what extent are peace and the lifting of sanctions compatible with the interests of certain parties and interest groups that came into being after the disintegration of the former Yugoslavia?

[Gacesa] Unfortunately, I must say that individuals from the Serbian republic leadership are outlets [ekspozitura] for warmongering, which—as is well known—did not accept the Contact Group plan as a basis for further negotiations, which would thus automatically have ensured peace. Therefore, they have also found warmongering outlets in certain, right-oriented parties in Serbia who obviously see in this a possibility of ensuring their survival on Serbia's political scene. Personally, I believe that they are doing the SPS a service, since we have always linked our survival and success on the political

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scene with progress for our people as a whole, and not the irrelevant existence of one citizen.

NASA BORBA Carries 'Russian-Serbian' Plan

AU2403213795 Ljubljana Radio Slovenia Network in Slovene 1800 GMT 24 Mar 95

[Report by Matej Surc from Belgrade]

[FBIS Translated Text] The Russian-Serbian plan is the work of [Russian Foreign Minister] Andrei Kozyrev and [Serbian President] Slobodan Milosevic. It more or less coincides with the hitherto demands of the Contact Group. Changed were only those provisions that Belgrade has rejected so far.

As NASA BORBA writes, the Russian-Serbian plan is based on the officially verified readiness of President Milosevic to recognize the independence of Bosnia-Herzegovina, Croatia, Macedonia [The Former Yugoslav Republic of Macedonia], and Slovenia.

The international organization would suspend sanctions against Belgrade as soon as Belgrade signs an agreement on the establishment of contacts with Sarajevo, Zagreb, Skopje, and Ljubljana.

This would be followed by an agreement on the cessation of hostilities in all combat zones of the former Yugoslavia. The international blockade of Karadzic's Serbs would remain in force for as long as Pale do not recognize the integrity of Bosnia-Herzegovina and begin talks with Sarajevo.

A high degree of autonomy is envisaged for the Krajina Serbs.

The Serbian-Montenegrin federation would win the right to become the sole successor of the former SFRY.

Greece must end the blockade of Macedonia.

The arms embargo for all the countries of the former SFRY would be extended for another five to 10 years, while the Geneva Conference would deploy its police troops and observers on the contested borders of the former Yugoslav republics.

The plan will supposedly start being implemented before 31 March, when the presidents of Bosnia-Herzegovina, Croatia, and the Serbo-Montenegrin federation, Izetbegovic, Tudjman, and Lilic, respectively, would meet. Therefore, Lilic and not Milosevic. They are also supposed to sign an agreement on mutual recognition.

The Serbian-Russian initiative will definitely be a subject of numerous diplomatic quarrels and coordination in the days to come. It has already triggered first objections, primarily from Paris and Washington. However, the positive reactions in Sarajevo are interesting or better to say encouraging. It is perfectly clear, though, that the road toward the mutual recognition of the states that have been engaged in a war for several years will be neither easy nor fast.

Montenegro

Port of Bar 'Devastated' by Economic Sanctions

LD2703122295 Belgrade TANJUG in English 1148 GMT 27 Mar 95

["Ecopool" item]

[FBIS Transcribed Text] Belgrade, March 27 (TANJUG)—Yugoslavia's largest port of Bar has suffered greater losses in the three years of economic blockade than it suffered in the 1979 earthquake that destroyed its vital segments.

Yugoslav economists have said that barely about 13,000 tons of cargo was reloaded in the port last year, which was its one-day capacity before the imposition of the United Nations Security Council sanctions against the Federal Republic of Yugoslavia.

The port stretches along 3.5 kms of Adriatic coast in the Yugoslav Republic of Montenegro and is able to reload between eight and 12 million tons of cargo annually.

It has 200 hectares of land and includes 22 kms of railways, 120,000 square meters of warehouses and additional 510,000 square meters of open-air storage space.

This most important economic facility in Montenegro has so far lost at least 5.6 billion dollars as a result of the economic sanctions.

Before their imposition, the port employed 1,867 workers, merely one-third of whom are still at work.

Port Director Petrasin Kasalica on Monday said in an interview with the economic daily PRIVREDNI PREGLED (ECONOMIC REVIEW) that the economic embargo had devastated the port and that the employees were now more engaged in tourism and fishing than in their regular duties.

He said the embargo was the tightest in the open sea, where no vessel could pass unseen.

He also vividly pictured the embargo's psychological effects when he said: 'We all dream of ships coming to anchor in our port.'

Kasalica said his firm seriously considered joint investments with foreign partners aimed at putting the port into full operation after the lifting of the sanctions.

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